

Governance

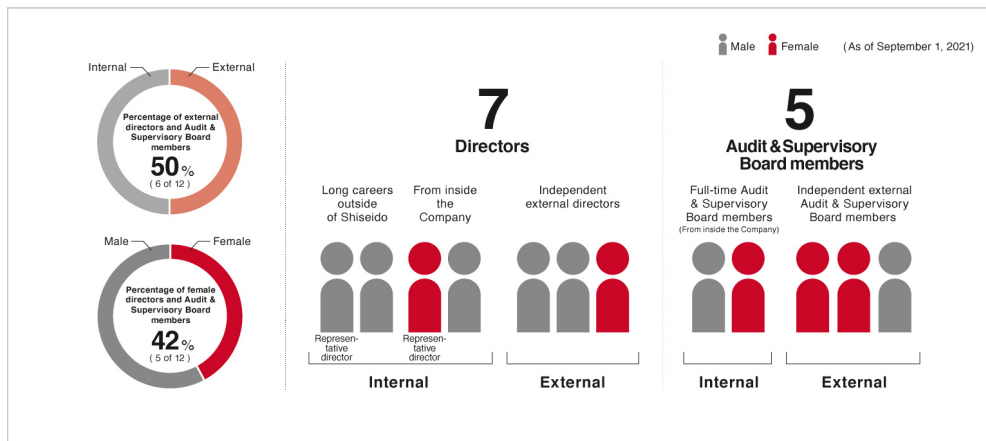


Corporate Governance Policy

The Shiseido Group including the Company has established BEAUTY INNOVATIONS FOR A BETTER WORLD as OUR MISSION in its Corporate Philosophy THE SHISEIDO PHILOSOPHY, and defines the corporate governance as our "platform to realize sustainable growth through fulfilling OUR MISSION".

The Company strives to maximize medium-to-long-term corporate and shareholder value by implementing and reinforcing corporate governance to maintain and improve management transparency, fairness, and speed, and by engaging in dialogue with all stakeholders, from consumers, business partners, employees, and shareholders to society and the earth. At the same time, by fulfilling its responsibilities as a public entity of society, the Company works to optimize the value it delivers to respective stakeholders.

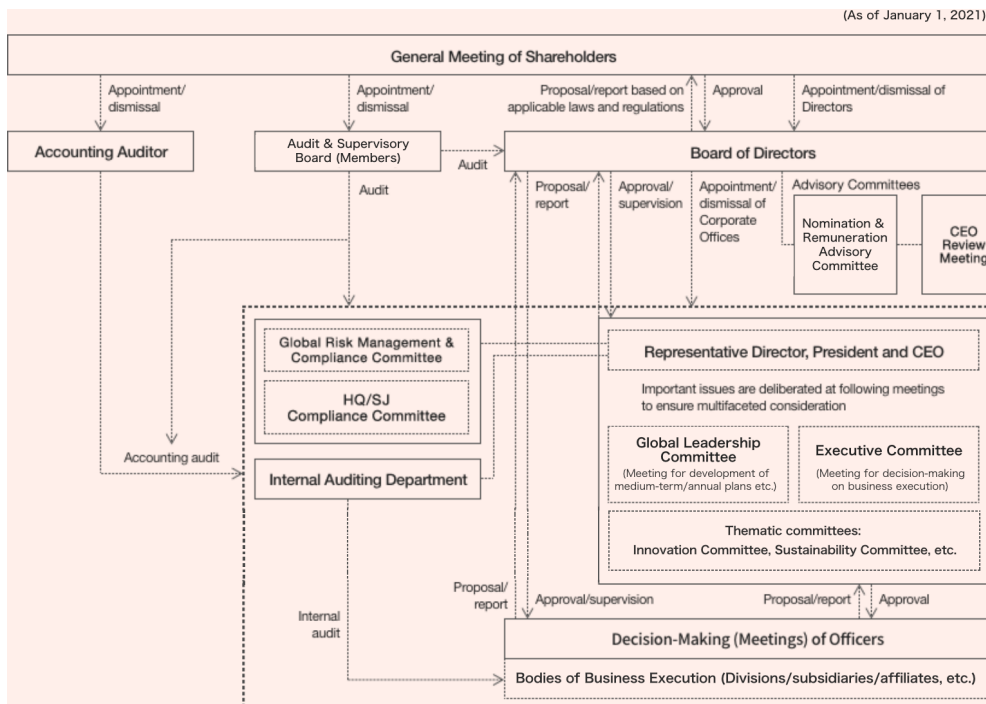
Shiseido's Governance in Numbers



* Yoko Ishikura resigned as external director as of August 31, 2021, and therefore the number of directors has been changed from 8 to 7.

Skills and Expertise Required of Directors and Audit & Supervisory Board Members

Business Management and Execution Structure



Committees Involving Directors and Executive Officers

Shiseido's Board of Directors is structured to be small for quick decision-making. It is composed of seven members including three external directors and presided by the President and CEO. The Board of Directors meets approximately once a month to discuss all significant matters.

The Company has adopted an executive officer system, placing its business execution function under the control of executive officers and separating it from the supervisory function, the responsibility of the Board of Directors. On top of that, we have the Executive Committee, which discusses important matters related to business execution from various aspects before final decisions are made by the President and CEO, and the Global Leadership Committee, which deliberates business plans, medium-to-long-term strategies, and other matters. Both committees are chaired by the President and CEO.

At the same time, we are working to delegate authority to executive officers, clarify their responsibilities, and accelerate business execution. Executive officers make decisions regarding the execution of business in their areas of responsibility and deliberate matters to be proposed to the Board of Directors and the Executive Committee. In order to ensure that our Board of Directors maintains an independent perspective and further strengthen its supervisory function over business execution, in 2006, we appointed two highly independent external directors. Currently, the number has been increased to three.

Among the four internal directors, two have built careers outside of Shiseido: one as a corporate manager, and the other as a financial officer; while the remaining two have had long careers in Shiseido: one having expertise in various brands of the Company as well as new business development, and the other possessing knowledge and experience in such fields as marketing, product development, finance & accounting, and supply network. We believe that such composition ensures diversity of the Board of Directors. We also appoint younger members as executive officers, thereby aiming to strengthen the executive function.

Ensuring Effectiveness of the Board of Directors

The Company believes that a truly effective Board of Directors requires exhaustive discussions at the Board meetings upon sharing appropriate information with external directors regarding the Company's basic management policy and important management matters. Important management matters are carefully deliberated by the Board over a number of meetings including offsite meetings, ensuring that formulated policies and decisions are backed by a sufficient amount of information and deliberation.

The Company also places particular importance on the diversity of its directors and Audit & Supervisory Board members, with the belief that diverse opinions stemming from various expertise and insights result in versatile discussions, which are indispensable for an effective Board.

Topic One: Medium-to-Long-Term Strategy WIN 2023 and Beyond

On February 9, 2021 the Company announced its medium-to-long-term strategy, WIN 2023 and Beyond. The formulation of this strategy, which defines the basic policy of the Company for the medium and long term, required particularly detailed considerations and discussions based on the opinions of both internal and external directors with a wide range of perspectives. Therefore, in addition to discussions by the Board of Directors, several discussion meetings were held with external directors to deliberate the new strategy. The meetings encompassed a considerable amount of questions and recommendations, as well as exhaustive discussions related to the Company's issue awareness and strategic proposals, their purpose, overall direction of initiatives, and matters requiring further consideration. These discussions have been incorporated not only into WIN 2023 and Beyond overall, but also into each of the initiatives based on this strategy.

Topic Two: Transfer of Shiseido's Personal Care Business and Joint Venture Establishment

On February 3, 2021 the Company announced the transfer of its Personal Care business to a legal entity financed by funds advised by CVC Asia Pacific Limited and its subsidiaries. Following the transfer, the Company will stay involved in the Personal Care business as a shareholder of the new company which will operate the business. This matter was discussed at a number of the Board meetings in order to determine the strategic positioning of the Personal Care business in the Company's portfolio, possible scenarios for its development, selection of candidates for the transfer, and other issues. Among these topics, the transaction was discussed with particular consideration from the following aspects: significance and appropriateness of selection of the transferee, business plan following the joint venture, continued employment and treatment of the employees involved with the business, ability to increase the value of the business and provide opportunities to its employees. Information regarding the status of the project was regularly shared with directors and Audit & Supervisory Board members on various occasions not limited to the Board meetings. The final

decision was reached upon unanimous agreement of all attendees that this is the best option among possible scenarios.

The Company's external director Yoshiaki Fujimori concurrently serves as Senior Executive Advisor of the transferee's related company. In order to ensure the fairness of the transaction, he did not participate in any related deliberations or determinations of the Board of Directors of the Company, nor did he participate in any information sharing, discussions, consultations or negotiations with CVC held by the Company pertaining to the transaction.

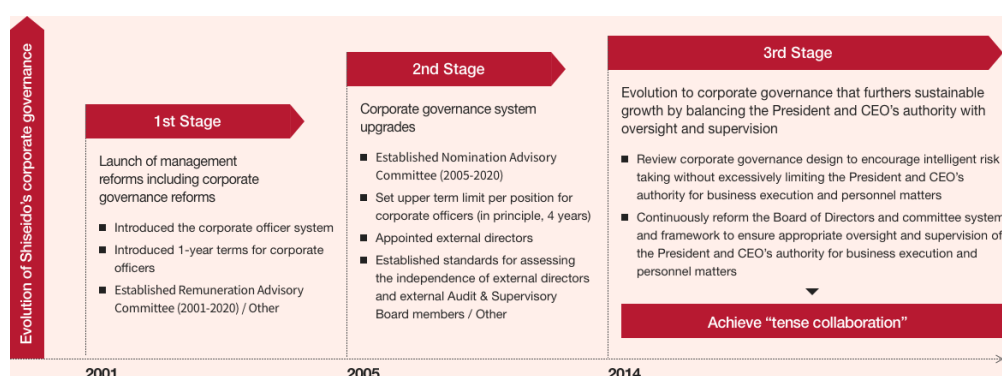
Process of Evolution

Process of Corporate Governance Evolution

The Shiseido Group including the Company has established BEAUTY INNOVATIONS FOR A BETTER WORLD as OUR MISSION in its Corporate Philosophy THE SHISEIDO PHILOSOPHY, and defines the corporate governance as our "platform to realize sustainable growth through fulfilling OUR MISSION".

We began full-fledged initiatives toward strengthening corporate governance in 2001. Our continuous reforms to date can be divided into three stages.

Moving to the Third Stage of Corporate Governance



The first stage initiated a corporate governance reform. Initiatives to separate the functions of management supervision and execution included the introduction of the corporate officer system. At the second stage, we implemented various initiatives to create the framework of our corporate governance such as the establishment of the Nomination & Remuneration Advisory Committee (formerly, "the Nomination Advisory Committee") and the appointment of external directors. In this way, we have set out objective quantitative and pro forma standards. We enhanced the quality of corporate governance by rigorously employing this framework and actively disclosing the outcomes. We have now entered the third stage, in which we are targeting corporate governance that furthers sustainable growth. We aim to achieve "tense collaboration" by balancing management oversight and supervision with the broad authority vested in the President and CEO, which he or she needs in order to exercise ultimate leadership in Shiseido's global management. This tense collaboration does not excessively limit or decrease the CEO's authority, but rather, given the broad authority vested in the CEO, establishes a process of regular evaluation of the CEO and management execution by the Board of Directors and other supervisory organs, to whom the CEO is fully accountable. This process also involves regular CEO evaluations by the Nomination & Remuneration Advisory Committee.

Corporate Governance System

Reasons for Adopting the Current Framework

The Company has adopted the framework of a company with an audit & supervisory board system, which exercises dual checking functions whereby business execution is supervised by the Board of Directors and audited for legality and appropriateness by the Audit & Supervisory Board. In order to maintain and improve management transparency, fairness, and speed as per the basic policy on corporate governance, the Company has reinforced the supervisory function of its Board of Directors by incorporating outstanding features of a company with a nominating committee, etc. and a company with an audit and supervisory committee.

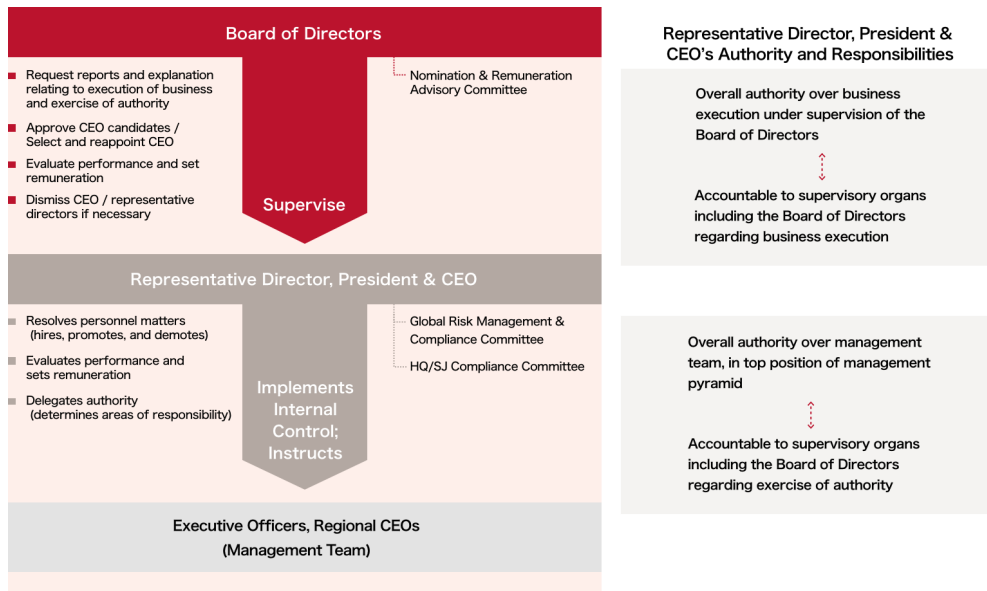
Based on the Shiseido Group's matrix-type organizational system with brand categories and six regions combined, the Company as the global headquarters is responsible for supervising the overall Group and providing necessary support, while many of the responsibilities and authorities are delegated to the respective regional headquarters of Japan, China, Asia Pacific, the Americas, EMEA, and Travel Retail. We held repeated discussions with regard to an ideal corporate governance system under this matrix organization, including the composition and operation of the Board of Directors. As a result, the Board of Directors concluded that adopting the monitoring board-type system would be appropriate to ensure sufficient and effective supervisory functions over the Shiseido Group overall. Therefore, we resolved on the monitoring board-type corporate governance framework while leveraging the advantages of a company with an audit & supervisory board system.

Diversity of Directors and Audit & Supervisory Board Members

The Company believes that its Board of Directors should be composed of directors with various viewpoints and backgrounds in addition to diverse and sophisticated skills, required for effective supervision over the execution of business as well as decision-making on critical matters. Furthermore, the Company believes that its Audit & Supervisory Board members should have the same degree of diversity and expertise as directors, as they have a duty to attend meetings of the Board of Directors and state opinions as necessary.

When selecting candidates, we place importance on ensuring diversity, taking into account not only gender equality, but also other attributes such as age, nationality, personality, and insights and experiences in various fields related to management. In addition, the Company has set a certain maximum term of office for external directors and external Audit & Supervisory Board members in order to reflect their independent views to the management of the Company, and allows a handover period from long-serving external directors and Audit & Supervisory Board members to newly appointed ones to ensure appropriate transition.

Management Supervision System



Ratio of External Directors

The Company's Articles of Incorporation set the maximum number of directors at 12. The optimum number of directors for appropriate management supervision is determined based on this upper limit and such factors as the Company's business portfolio and scale.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the Board. In addition, the Company has established a target of electing half or more of its directors from outside.

In selecting external directors and Audit & Supervisory Board members, high priority is given to independence. Our basic principle is that candidates are required to meet the Company's "Criteria for Independence of External Directors and Audit & Supervisory Board Members" as well as possess highly independent thinking.

Criteria for Independence of External Directors and Audit & Supervisory Board Members (Summary)

Not a person who is or has ever been responsible for executing the business of the Company or its affiliated companies (collectively, the Shiseido Group)

- Not a person for whom the Shiseido Group is or has ever been a major client or a person who has executed business for an entity for which the Shiseido Group is or has ever been a major client
- Not a person who is or has ever been a major client of the Shiseido Group or a person who has executed business for an entity that is or has ever been a major client of the Shiseido Group
- Not a person who executes or has ever executed business for an entity in which the Shiseido Group is a major shareholder

Not a person who is or has ever been a major shareholder of the Company or a person who has executed business for an entity that is or has ever been a major shareholder of the Company

Not a professional such as an attorney or a consultant who has received a large amount of money

Not a person who is receiving or has ever received a large donation from the Shiseido Group or a person who has executed business for an entity that is receiving or has ever received a large donation from the Shiseido Group

- Not a person who is or has ever been an accounting auditor of the Company or a person who has belonged to an entity that is or has ever been an accounting auditor of the Company
- Not a spouse or close relative of any person excluded above
- Not a person affiliated with a company that reciprocally appoints a director or Audit & Supervisory Board member from the Shiseido Group

Not a person who could otherwise be reasonably judged unable to fulfill the duties of an independent director or independent Audit & Supervisory Board member

from the Shiseido Group

(Please refer to the Corporate Governance Report available at Shiseido's corporate website for details.)

Committees

Basic Policy

With a view to promoting transparency and objectivity in management, the Company has established the Nomination & Remuneration Advisory Committee to make recommendations to the Board of Directors on director and executive officer candidates and promotions, as well as on executive remuneration and performance evaluation standards. The chair shall be appointed from external directors to ensure objectivity.

In addition, the Global Risk Management & Compliance Committee and the HQ/SJ Compliance Committee have been established as committees that handle compliance and risk management and report directly to the Representative Director. These committees collaborate with compliance organizations at regional headquarters located in major regions around the world and provide overall direction for activities that improve corporate quality, including the promotion of legal compliance, fair business practices, and risk countermeasures across the Group. The Representative Director makes proposals and reports on important issues and progress of compliance activities to the Board of Directors as appropriate.

CEO Review Meeting

Within the Company's corporate governance, there is a need to appropriately concentrate authority in the CEO while maintaining a strong oversight function to counterbalance that authority.

Accordingly, the Company has established the CEO Review Meeting as a shared organization of the Nomination & Remuneration Advisory Committee to discuss and consider matters relating to the CEO, including reappointment and replacement. The CEO Review Meeting conducts performance evaluation that includes a personal evaluation of the CEO, and confirms the appropriateness of the CEO's remuneration. In this way, the CEO Review Meeting comprehensively oversees the CEO from two aspects: appointment and dismissal, and incentives. To emphasize its independence from the CEO and the CEO's business execution framework, the CEO Review Meeting consists solely of external directors and external Audit & Supervisory Board members.

Members of the Nomination & Remuneration Advisory Committee

Chair	External Director	Shinsaku Iwahara
Member	External Director	Yoshiaki Fujimori
	External Director	Kanoko Oishi
	Representative Director, President and CEO	Masahiko Uotani

Evaluation of the Effectiveness of the Board of Directors

Basic Policy

The Company evaluates the effectiveness of the Board of Directors with the purpose of identifying issues and points to be improved of the Board of Directors, etc. and evolving the Board of Directors into a more effective one. The Company conducts annual questionnaire surveys and interviews with all directors and Audit & Supervisory Board members to evaluate and analyze the Board of Directors, the Nominating & Remuneration Advisory Committee, and the Audit & Supervisory Board. The secretariat of the Board of Directors summarizes, analyses, and identifies issues. The identified issues and opinions are reported to the Board of Directors, and all members of the Board of Directors discuss how to respond to the issues.

In addition, third-party organizations regularly check and evaluate the effectiveness of these assessments to ensure transparency and objectivity.

Implementation Results in Fiscal 2020

The survey focused on the diversity of members of the Board of Directors, the composition of skills and experiences that the Board believes should be strengthened, the deliberations and functions of the Board of Directors, the content of deliberations on materials distributed, the opportunities for discussions outside the Board of Directors, the strengthening of cooperation with Audit & Supervisory Board members, the secretariat structure, and matters related to our overall governance.

As a result, although no significant challenges were identified regarding the effectiveness of the Board of Directors, several issues were identified as follows. The Board of Directors will discuss these issues, make improvements, and monitor the status of improvements in the following year and beyond.

Item	Issues	Future directions
Composition of Board Members	Need to consider the skills set of members of the Board of Directors to discuss our management policies and strategies, and effectively monitor business activities based on the Medium-to Long-Term Management Strategy "WIN2023 and Beyond"	Discuss the diversity of board members beyond "skills" representing areas of knowledge and reflect them in the skill matrix.
Deliberations of the Board of Directors	Need to continue to organize "important agendas" at our Board of Directors meetings, and further enhance deliberations on management and business strategies, internal audits, and risks	Continue to deliberate on the issues raised by the Board of Directors, and will further enhance deliberations on the issues raised by the Board of Directors.
Information sharing	Need to enhance the content and distribution of materials for meetings of the Board of Directors	Enhance materials mainly by the secretariat, and consider opportunities to provide information to external directors and external Audit & Supervisory Board members and opportunities to exchange opinions
	Need to further enhance the exchange of information between directors and Audit & Supervisory Board members	
	Need to provide more information to external directors and external Audit & Supervisory Board members	

Ongoing Initiatives: Developing Succession Plans for the CEO, External Directors, and External Audit & Supervisory Board Members

Evaluations of the effectiveness of the Board of Directors have shown that the development of succession plans for the CEO is a task that should be continuously addressed by the Board of Directors and the Nomination & Remuneration Advisory Committee.

The Company considers that the selection of succession candidates for the President and CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee.

The President and CEO and the Nomination & Remuneration Advisory Committee formulate the succession plan based on the Company's business environment upon sufficient discussions regarding the qualities required of a President and CEO from a medium-to-long-term perspective and policies for the selection of a successor and his or her training, etc. The progress of the formulated succession plan is regularly reported to the Nomination & Remuneration Advisory Committee, which monitors its status of implementation.

Furthermore, evaluations of the effectiveness of the Board of Directors have highlighted the need for developing succession plans for external directors and external Audit & Supervisory Board members, who play an essential role in monitoring the Company's management. The Company believes that the development of succession plans, which should include oversight on various conditions pertaining to term of office and clear criteria for successor candidates, is an issue that should be constantly on the agenda of the Nomination & Remuneration Advisory Committee rather than something only addressed prior to the succession event.

Remuneration for Directors, Audit & Supervisory Board Members and Executive Officers

1. Basic Philosophy of the Remuneration, etc. to Directors, Audit & Supervisory Board Members, and Executive Officers of the Company

The Company regards the directors, audit & supervisory board members, and executive officers remuneration policy as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy, the directors, audit & supervisory board members, and executive officers remuneration policy of the Company is deliberated in the Nomination & Remuneration Advisory Committee chaired by external directors by incorporating objective points of view, and the outcome is reported to the Board of Directors for the resolution.

The remuneration policy for directors, Audit & Supervisory Board members, and corporate officers shall

1. contribute to realizing the corporate mission;
2. be designed to provide the amount of remuneration commensurate with the Company's capability to secure and maintain superior personnel;
3. be designed to reflect the Company's medium-to-long-term business strategy, and to strongly motivate directors, Audit & Supervisory Board members, and corporate officers eligible for remuneration to achieve medium-to-long-term growth;
4. have a mechanism incorporated to prevent wrongdoing and overemphasis on short-term views; and
5. be designed to be transparent, fair, and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and shall ensure these points by determining remuneration through appropriate processes.

2. The Company's Directors, Audit & Supervisory Board Members, and Executive Officers Remuneration Policy

Based on the above basic philosophy, the Company determines its policy on decisions regarding matters including remuneration of individual directors at the Board of Directors meetings. The contents of the Company's directors, audit & supervisory board members, and executive officers remuneration policy based on this policy is described below in detail.

■ Overall picture

The remuneration of the directors and executive officers of the Company comprises "basic remuneration" as fixed remuneration as well as "annual bonus" and "long-term incentive-type remuneration (non-monetary remuneration)" as performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as

fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Furthermore, the Company does not have an officers' retirement benefit plan.

[The Proportion of Remuneration for Directors Eligible for the Payment by Remuneration Type and Rank as Corporate Officer]

Rank as Corporate Officer	Composition of Remuneration for Directors and Corporate Officers			Total
	Basic Remuneration	Performance-linked Remuneration		
		Annual Bonus	Long-Term Incentive-Type Remuneration	
President and CEO	33.3%	33.3%	33.3%	100%
Executive Vice President	54%~56%	22%~23%	22%~23%	
Executive Corporate Officer	54%~60%	20%~23%	20%~23%	
Corporate Officer	56%~64%	18%~22%	18%~22%	

Notes :

1. In this model, the basic remuneration amount is the median of the applicable role grade, and the amount paid for performance-linked remuneration is based on 100% of a reference amount determined by the Company. The proportions stated above may change depending on changes in the Company's performance and changes in the share price.
2. There is no difference in the proportion of remuneration by remuneration type applied to directors based on whether a director has a representation right or otherwise.
3. Because different remuneration tables will be applied depending on the role grade of respective directors and corporate officers, proportions of remuneration by remuneration type will vary even within a same rank.
4. A fixed amount of remuneration separately provided in accordance with roles such as Chair of the Board is not included in the table.

■ Basic remuneration

The Company designs basic remuneration in accordance with role grades based on the size and level of responsibility of respective officers in charge, as well as the impact on business management of the Group. In addition, within a same grade, an increase of the amount is allowed within a certain range in accordance with the performance of respective directors or corporate officers in the previous fiscal year (numerical business performance and personal performance evaluation). These allow the Company to ensure well-modulated basic remuneration as well, commensurate with the achievements of respective directors and corporate officers.

Basic remuneration for respective officers is determined by the Board of Directors after deliberations by the Remuneration Advisory Committee, and is paid in equal installments every month.

For external directors and audit & supervisory board members, the Company shall not pay basic remuneration that has a certain allowance for increase, but pay fixed remuneration only which is determined in accordance with their respective roles.

■ Performance-linked remuneration

The performance-linked remuneration consists of an "annual bonus" provided as an incentive for achieving goals of single fiscal years, and "performance-linked stock compensation (performance share units) as long-term incentive-type remuneration" provided with the aims of establishing a sense of common interests with the shareholders and instilling motivation to achieve the goals over the medium to long term. Accordingly, it is designed to motivate the directors and corporate officers to manage business operations while being more conscious about the Company's performance and share price from the perspectives of not only a single year but also over the medium to long term.

Given that new long-term goals have been set, the Company introduced a long-term incentive-

type remuneration (LTI) in fiscal 2019 to replace the stock compensation-type stock options that the Company had provided up to and through fiscal 2018.

■ Annual bonus

Of the performance-linked remuneration, the Company has set evaluation items for the annual bonus in accordance with the scope that respective directors and corporate officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and consolidated operating profit as common performance indicators across directors and corporate officers, and the range of changes in the percentage amount of payment is set between 0% and 200%. Although it is essential that the entire management team remain aware of matters involving net profit attributable to owners of parent, it is crucial that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth-oriented investment and resolving challenges with our sights set on achieving long-term growth. As such, upon the Remuneration Advisory Committee deliberation, the Company has preliminarily established certain performance standards (thresholds) as described in the table below, with the evaluation framework designed so that the Remuneration Advisory Committee will consider the possibility of lowering the percentage amount of the annual bonus payment attributable to the whole group performance component of the total annual bonus, if results fall below the thresholds. In determining the achievement rate of each target and threshold for consolidated net sales, consolidated operating profit and net profit attributable to owners of parent, actual performance may be adjusted by resolution of the Board of Directors following deliberation by the Remuneration Advisory Committee. In cases where such adjustments are made, it shall be stated in the disclosure materials of the actual remuneration of directors.

In addition, we set the personal performance evaluation of all directors and corporate officers in order to add the level of achievement regarding strategic goals that cannot be measured by the financial performance figures alone, such as efforts for restructuring of the business platform to realize sustainable growth, to evaluation criteria.

Annual bonus is paid once a year.

[Performance indicators and evaluation weights for annual bonus]

Evaluation Item	Performance Indicators	Evaluation Weight							
		President and CEO		Corporate Officers in Charge of Businesses				Corporate Officers Other than Those in Charge of Businesses	
				Regional Headquarters President		Other		CFO and Other	
Whole Group Performance	Consolidated net sales	30%	70%	10%	20%	10%	20%	30%	70%
	Consolidated operating profit	40%		10%		10%		40%	
		Net profit attributable to owners of parent	If this amount ends up below the threshold, the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the whole group performance component.						
Performance of Business Unit in Charge	Business performance	—		50%		50%		—	
Personal Performance	Level of achievement of strategic goals set individually	30%							
		Setting no more than five priority objectives which contribute to realizing long-term strategies reflecting the Company's management approach and Corporate Philosophy.							

Notes :

There is no difference in the performance indicators and the weight of performance indicators applied to directors based on whether a director has a representation right or otherwise.

■ Long-term incentive-type remuneration

From fiscal 2019, the Company has introduced performance share units, a type of performance-linked stock compensation, and has incentivized the creation of corporate value over the medium to long term through annual payments. As performance indicators to evaluate the enhancement of economic value amid the current COVID-19 pandemic, a mix of quantitative targets to be aimed for with a long-term perspective has been set under the medium- to long-term strategy "WIN 2023 and Beyond." In addition, as benchmarks on creation of social value, the Company has set multiple internal and external indicators pertaining to the environment, society and governance (ESG) with special emphasis placed on the area of "empowered beauty," in which the Company aims to continuously achieve its notion of beauty innovation. Accordingly, the remuneration is designed for the purpose of creating corporate value from both aspects of economic and social values, as well as establishing a sense of common interests with shareholders.

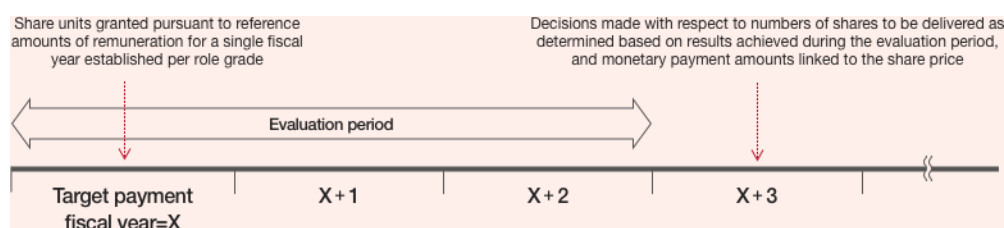
〔Purposes of introducing the LTI〕

The LTI is adopted for the purposes of establishing effective incentives for creating and maintaining corporate value over the long term, and ensuring that the directors' interests consistently align with those of our shareholders. To such ends, the LTI will help:

- i) promote efforts to create value by achieving our long-term vision and strategic goals,
- ii) curb potential damage to the corporate value and maintain substantial corporate value over the long term,
- iii) attract and retain talent capable of taking on leadership in business, and
- iv) realize a "Global One Team" by fostering a sense of solidarity among management teams of the entire Shiseido Group and instilling the consciousness of participating in the running of the Company.

Under the Company's performance share units, the Company will allot a reference share unit to each of the eligible parties once every fiscal year, and on each annual allotment, the number of fiscal years that the payment relates to shall be one fiscal year. To make such allotments, the Company shall establish multiple performance indicators whose evaluation period is for three years including the fiscal year related to the payment. The Company shall use the respective achievement ratios of each performance indicator to calculate the payment rate in a range from 50% to 150% after the end of the evaluation period, and it shall use the payment rate to increase or decrease the number of share units. The eligible parties shall be paid monetary remuneration claims and cash for the delivery of the shares of the Company's common stock of a number corresponding to the applicable number of share units, and then each eligible party shall receive delivery of shares of common stock of the Company by paying all the monetary remuneration claims using the method of contribution in kind.

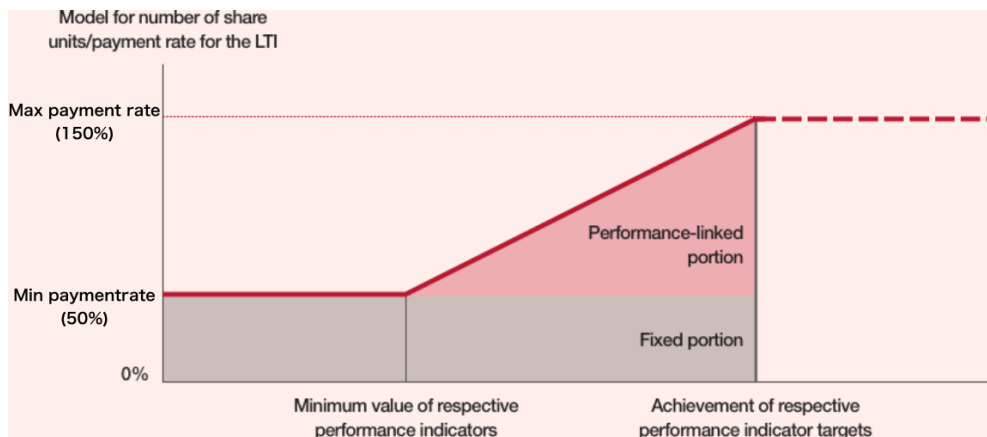
〔LTI schedule〕



The financial benefits ultimately gained by the eligible parties are linked not only to performance outcomes associated with the performance indicators, but also to the Company's share price. As such, the LTI substantially links the financial benefits with both performance and the Company's share price. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion, thereby emphasizing the notion of consistently

granting stock compensation to the eligible parties. As such, the LTI is designed to help eligible parties realize the aims of more robustly ensuring that their sense of interests consistently aligns with those of our shareholders, curbing potential damage to corporate value and maintaining substantial corporate value over the long term, and helping to attract and retain competent talent.

[Model for payment rate of the number of share units for the LTI]



The performance indicators for the 2021 long-term incentive-type remuneration have been determined as an incentive to achieve medium-to long-term targets by the Board of Directors upon the matter having been adequately deliberated on by the Nomination & Remuneration Advisory Committee, based on the medium-to long-term strategy "WIN 2023 and Beyond" despite the impact of COVID-19, which is expected to continue for the time being. More specifically, the Company has set the following benchmarks to measure economic corporate value: the compound average growth rate (CAGR) of consolidated net sales calculated based on performance in fiscal 2019 before the Company was impacted by COVID-19, through fiscal 2023, and the consolidated operating profit margin designated as a target in the medium-to long-term strategy "WIN 2023 and Beyond." In addition, as benchmarks pertaining to social value, the Company has adopted multiple internal and external indicators pertaining to the environment, society and governance (ESG) with special emphasis placed on the area of "empowered beauty," in which the Company aims to achieve its notion of beauty innovation through providing support to others. The composition of these performance indicators pushes forward the enhancement of corporate value from both aspects of economic and social values. Moreover, the performance indicators also include consolidated return on equity (ROE) which acts as an important benchmark for measuring corporate value from the perspective of establishing a sense of common interests with our shareholders.

Among the performance indicators, the Company has set target and minimum values for each of the CAGR for consolidated net sales and consolidated operating profit margin. Accordingly, the Company will apply the maximum percentage amount of payment attributable to each of the indicators in the event that the target values are achieved, and the Company does not make payment of the performance-linked portion with respect to each of those indicators in the event that performance falls short of the minimum values. As for the environmental, social and governance (ESG) indicators, upon having determined whether each of the multiple benchmarks has been achieved or not, the Company will set the maximum percentage amount of payment attributable to each of the benchmarks in the event that the targets have been achieved, and will not make payment of the performance-linked portion with respect to each of the benchmarks in the event that the targets have not been achieved. In terms of consolidated return on equity (ROE), as the Company deems it necessary to ensure that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth investment and resolving challenges with our sights set on achieving long-term growth, the Company will set preliminary ROE targets at certain thresholds per deliberations carried out in that regard by the Nomination & Remuneration Advisory Committee, and the committee will

then discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below such thresholds.

The Company has introduced the Malus and Clawback Clause for Performance Share Units. Specifically, in certain cases such as serious misconduct of the eligible parties, the Board of Directors may be entitled to reduce or recover the stock units.

In addition, the Company is gradually extending payment of LTI to principals global executive persons, with the aim of realizing a "Global One Team" by fostering a sense of solidarity among management teams around the world and instilling the consciousness of participating in the running of the Company.

[Performance indicators and evaluation weights for performance-linked portion of the LTI]

Evaluation Item	Performance Indicators	Evaluation Weight	
Economic Value	Compound average growth rate (CAGR) of consolidated net sales	30%	100%
	Consolidated operating profit margin in the final fiscal year of the evaluation period	60%	
Social Value	Multiple internal and external indicators pertaining to the environment, society and governance (ESG) with focus on the area of "empowered beauty"	10%	
Economic Value	Consolidated ROE (return on equity)	If this ends up below the threshold, the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.	

■ Long - Term Incentive-Type Remuneration Until Fiscal 2018

Until fiscal 2018, as long-term incentive-type remuneration included in performance-linked remuneration, we applied a stock compensation-type stock option using stock acquisition rights as stock options with an amount of 1 yen invested when exercising a stock acquisition right as a means of paying stock as compensation, etc., instead of cash-based compensation, etc. The limits on this long-term incentive-type remuneration apply on two occasions: when the stock acquisition rights are allotted, and when the allotted stock acquisition rights have vested. When actually allotting the stock acquisition rights after obtaining approval for the maximum number of stock acquisition rights to be allotted at the General Meeting of Shareholders, the Company shall increase or decrease the number of stock acquisition rights to be granted in the range of 0 to the maximum by using the performance indicators for annual bonuses for the preceding fiscal year. In addition, the Company has introduced a mechanism when the stock acquisition rights vest that limits the exercise of stock acquisition rights to 30 to 100 percent of the allotted number, according to consolidated results and other indicators up to the preceding fiscal year.

■ Amount of Remuneration, etc. to Directors and Audit & Supervisory Board

Members for the Fiscal Year Ended December 31, 2020

				(Millions of yen)		
	Basic Remuneration	Bonus	Total Remuneration in Cash* (a)	Former Long-Term Incentive (Stock Option) (b)	Long-Term Incentive (Stock Compensation) (c)	Total [(a)+(b)+(c)]
Directors (9 persons)	312	102	414	106	63	584
External Directors Among Directors (4 persons)	56	—	—	—	—	56
Audit & Supervisory Board Members (6 persons)	104	—	104	—	—	104
External Audit & Supervisory Board Members Among Audit & Supervisory Board Members (4 persons)	39	—	—	—	—	39
Total	416	102	518	106	63	688

*Total remuneration in cash that has been confirmed by March 2021

Notes :

- The total amount of the basic remuneration and bonus for directors has a ceiling of ¥2.0 billion annually (including a total of ¥0.2 billion or less for external directors) as per the resolution of the 118th ordinary general meeting of shareholders held on March 27, 2018. Basic remuneration for audit & supervisory board members has a ceiling of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
- Regarding the above basic remuneration for fiscal 2020, the Company has received a proposal from its CEO and corporate officers to decline a part of their remuneration for five months from August to December 2020 as a step for improving profitability in response to the deteriorating market environment. Following discussions by the Remuneration Advisory Committee, the Board of Directors has resolved the said proposal. The above amounts of basic remuneration have been already adjusted based on the reduced amounts.
(Personnel subject to reductions and details of decline to receive partial amounts of remuneration)
President and CEO: decline 30% of monthly base salary
Executive Vice President and executive corporate officers: decline 15% of monthly base salary
Corporate officers, etc.: decline 10% of monthly base salary
- The bonuses of directors for fiscal 2020 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1. Regarding the calculation of those amounts, please refer to the following "Performance-linked targets, actual performance and payment percentage, etc. of annual bonuses paid to directors excluding external directors". The Company has received a proposal from Representative Director, Masahiko Uotani to decline 50% of the annual bonus proposed by the Nomination & Remuneration Advisory Committee, taking into account the reduction of dividends to shareholders and the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan. Following discussions by the said Committee, the Board of Directors has resolved the said proposal. The above amounts of bonuses have been already adjusted based on the reduced amounts.
- The amount of former long-term incentive-type remuneration (stock options) for directors indicated above represents the total amount of expenses associated with the stock options (stock acquisition rights) recorded for the fiscal year ended December 31, 2020, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
- The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2020, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. (The said amount of the expenses reflects the business results and other associated costs for the fiscal year ended December 31, 2020 and is calculated by reducing the payment percentage by 45% for the fiscal year ended December 31, 2020).
- In addition to the above payments, other remuneration of ¥24 million was recorded for the fiscal year ended December 31, 2020 as expenses associated with stock options granted to three directors of the Company, at the time the directors served as corporate officers not holding the office of directors.
- None of the directors or the audit & supervisory board members was paid remuneration other than described above (including that described in notes 1. through 6.).

■ Amounts of Remuneration, etc. to Representative Directors and Directors Whose Total Amount of Remuneration, etc. Exceeded ¥100 Million for the Fiscal Year Ended December 31, 2020

				(Millions of yen)		
	Basic Remuneration	Bonus	Total Remuneration in Cash* (a)	Former Long-Term Incentive (Stock Option) (b)	Long-Term Incentive (Stock Compensation) (c)	Total [(a)+(b)+(c)]
Masahiko Uotani, Representative Director	148	67	216	94	46	357
Yoichi Shimatani, Representative Director	40	6	46	11	0	58

*Total remuneration in cash that has been confirmed by March 2021

Notes :

1. Regarding the basic remuneration for fiscal 2020 indicated above, please refer to note 2. of "Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2020".
2. The bonuses of directors for fiscal 2020 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1. of "Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2020". The Company has received a proposal from Representative Director Masahiko Uotani to decline 50% of the annual bonus proposed by the Nomination & Remuneration Advisory Committee, taking into account the reduction of dividends to shareholders and the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan. Following discussions by the Nomination & Remuneration Advisory Committee, the Board of Directors has resolved the said proposal. The above amounts of bonuses have been already adjusted based on the reduced amounts.
3. The amount of former long-term incentive-type remuneration (stock options) for directors indicated above represents the total amount of expenses associated with the stock options (stock acquisition rights) recorded for the fiscal year ended December 31, 2020, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
4. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2020, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. (The said amount of the expenses reflects the business results and other associated costs for the fiscal year ended December 31, 2020 and is calculated by reducing the payment percentage by 45% for the fiscal year ended December 31, 2020).
5. In addition to the above payments, other remuneration of ¥1 million was recorded for the fiscal year ended December 31, 2020 as expenses associated with stock options granted to Representative Director Yoichi Shimatani at the time he served as corporate officer not holding the office of director.
6. Neither of the two directors above was paid remuneration other than described above (including that described in notes 1. through 5.).

■ Performance-linked targets, actual performance and payment percentage, etc. of annual bonuses paid to directors excluding external directors

(Billions of yen)					
Performance Evaluation Indicators	Fluctuation Range of Payment Percentage	Targets for Payment Factor at 100%	Actual Performance	Achievement Rate	Payment Factor Calculated Based on the Target Achievement Rate
Consolidated Net Sales	0%~200%	1,220.0	920.9	75.5%	0% (Note 3.)
Consolidated Operating Profit		117.0	15.0	12.8%	0% (Note 3.)
Net Profit Attributable to Owners of Parent	—		△11.7	—	Not subject to lowering of the payment amount percentage by thresholds
Performance of Business in Charge	0%~200%	(Note 1.)			
Personal Performance Evaluation		(Note 2.)	—	—	(Note 2.) 62.0% (Average)
				Total payment rate	(Note 4.) 62.0%

Notes :

1. Key performance evaluation indicators such as net sales, profits and cost indices, etc. are set to measure performance of respective business. Specific figures are not disclosed
2. Each individual's priority targets are set in personal performance evaluation considering not only a single fiscal year performance but also initiatives to realize long-term strategies that reflect management approach and Corporate Philosophy, such as improvement in organizational skills. In the fiscal year ended December 31, 2020, we received a proposal from the Nomination & Remuneration Advisory Committee to make a partial adjustment of the payment percentage based on the assessment at the personal performance evaluation in response to a significant decrease in the overall payment percentage due to the impact of COVID-19, and made a decision through sufficient deliberation of the Board of Directors. In this deliberation, consideration was given on the balance between the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan.
3. With regard to consolidated net sales and consolidated operating profit, in the calculation of the payment factor, adjustments are made to exclude effects such as currencies, in order to compare targets set at the beginning of the period and actual performance for the fiscal year in the practically same situation. The payment factors are as shown in the above result in any indicators.

4. In terms of annual bonus for Representative Director, Masahiko Uotani, for fiscal 2020, the amount was reduced in response to his decline to receive a part of bonus through the procedure described in note 3. of "Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2020." The above total payment rate has been already adjusted based on the reduction amounts.

Succession Plan and Training

Succession Plan for President and CEO

The Company considers that the selection of succession candidates for the President and CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee.

The President and CEO and the Nomination & Remuneration Advisory Committee formulate the succession plan based on the Company's business environment upon sufficient discussions regarding the qualities required of a President and CEO from a medium-to-long-term perspective and policies for the selection of a successor and his or her training, etc. The progress of the formulated succession plan is regularly reported to the Nomination & Remuneration Advisory Committee, which monitors its status of implementation.

Regarding selection of specific candidates for the President and CEO, the Nomination & Remuneration Advisory Committee receives full reports from the President and CEO on the specific nomination for successor from various perspectives. The Nomination and Remuneration Advisory Committee members themselves meet and exchange opinions with candidates, evaluating them from an independent perspective as well as the Company's management issues. Since the Nomination & Remuneration Advisory Committee performs certain important functions of the Board of Directors, the Board respects the committee's judgement. Furthermore, when actually selecting the President and CEO's successor, the Nomination & Remuneration Advisory Committee deliberates fully on matters such as the final candidate and their selection process, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection.

In 2019, the Board of Directors approved the extension of the term of office of current President and CEO Uotani, as well as the framework of a concrete succession plan, etc. In 2020, we commenced the execution of the succession plan and reported its progress to the Nomination & Remuneration Advisory Committee and the Audit & Supervisory Board.

Succession and Training for Directors, Audit & Supervisory Board Members, and Executive Officers

The Company believes that it is important to have succession plans not only for the President and CEO but also for external directors and external Audit & Supervisory Board members, who play key roles in supervising business management. Matters regarding the succession plans, such as the term of office, clear criteria for successor candidates, and further strengthening of diversity, are subject to the review by the Nomination & Remuneration Advisory Committee.

The Company also believes that in addition to appointing personnel having credentials required to serve as directors, Audit & Supervisory Board members, or executive officers, it is important to provide them with necessary training and information. Therefore, the Company provides candidates for new directors and new Audit & Supervisory Board members with training regarding legal and statutory authorities and obligations, etc. In addition, when a new external director or external Audit & Supervisory Board member is scheduled to come on board, the Company provides training regarding the industry it operates in, its history, business overview, strategy, etc.

Furthermore, to cultivate the next generation of management, executive officer candidates are provided with training programs to nurture their leadership abilities and management expertise required for top management.

Audit Structure

Internal Audit

The Internal Auditing Department, which reports directly to the President and CEO, monitors the appropriateness of business execution, as well as effectiveness of internal controls throughout the Group, and reports the audit results to the Board of Directors and the Audit & Supervisory Board.

Furthermore, auditing for specialized areas, i.e. security, environment, information systems, are mainly conducted by the relevant divisions.

Audit & Supervisory Board Members' Audits and Initiatives toward Strengthening Their Functions

Shiseido's Audit & Supervisory Board consists of two standing members and three highly independent external members. They monitor the legality and appropriateness of directors' performance by attending Board of Directors meetings and other important meetings. Additionally, three audit & supervisory board members (external) offer advice, proposals and views from an independent perspective, based on their abundant experience and insight in their respective fields.

Representative directors and audit & supervisory board members meet regularly to exchange opinions on actions that will resolve corporate governance issues. The Company maintains a framework to ensure that audit & supervisory board members discharge their duties effectively, such as setting up a supporting group for audit & supervisory board members.

Accounting Audits

The Company's accounting audit is conducted by KPMG AZSA LLC, an accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act.

The names of certified public accountants that have conducted auditing and the name of auditing firm are as follows:

Matters Concerning Accounting Auditor (As of March 25, 2021)

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Period of consecutive audit by the Accounting Auditor

The Company selected KPMG AZSA LLC as its accounting auditor on June 29, 2006. Thus, the period of consecutive audit by the accounting auditor is 15 years as of this fiscal year.

By leveraging their strength of a deep understanding of Shiseido's management and business, KPMG AZSA LLC offers swift and effective advice on the increasingly complex accounting processes that accompany our rapid global expansion. In addition, by utilizing KPMG Group's global network, we obtain auditing data of our subsidiaries. We believe that this information leads to timely and appropriate management decisions. For these reasons, the Audit & Supervisory Board has continued to select KPMG AZSA LLC as the Company's accounting auditor.

3. Names of certified public accountants engaged in audit work

Koichi Kohori (consecutive auditing period: five years)

Masakazu Hattori (consecutive auditing period: one year)

Kentaro Hayashi (consecutive auditing period: one year)

Note:

Rotation of engagement partners is carried out appropriately in accordance with the policies established by KPMG AZSA LLC.

The rotation of engagement partners at KPMG AZSA LLC is regulated by laws, regulations on independence and the policies of the audit firm (including policies of KPMG International Limited) regarding the maximum period of time for involvement in audit and attestation services. KPMG AZSA LLC monitors rotation status from the perspective of continuous involvement and independence, including assistant auditors.

4. Composition of assistant auditors

The composition of personnel other than engagement partners is 13 certified public accountants, 5 qualified professionals, and 20 others (tax-related and IT audit staff, etc.)

5. Selection policy, reason of the selection and evaluation of the Accounting Auditor

The selection and dismissal of the Company's accounting auditor is determined by the unanimous consent of members of the Audit & Supervisory Board, after discussions based on the results of evaluations by each member of the Audit & Supervisory Board, as well as evaluations by CFO and heads of related departments including Financial Accounting Department and Internal Audit Department.

The Company's policy for decision-making on dismissal or non-reappointment of the accounting auditor is as follows.

In the event that the Company determines that keeping the accounting auditor causes material trouble to the Company for the reasons, among others, that the accounting auditor has violated its duties, negated its duties or behaved in a manner inappropriate of an accounting auditor, the Audit & Supervisory Board shall dismiss the accounting auditor pursuant to Article 340 of the Companies Act. Furthermore, in the event that it is deemed that the accounting auditor is unable to carry out its duties duly or change of the accounting auditor to another audit firm is reasonably required to enhance the appropriateness of accounting audit, the Board of Directors shall submit a proposal to the general meeting of shareholders for the dismissal or non-reappointment of the accounting auditor in accordance with the resolution of the Audit & Supervisory Board on the proposal resolved in consideration of the opinion of executive bodies.

The Audit & Supervisory Board evaluated the accounting audits of the accounting auditor for the 120th business term in line with the following items and processes and resolved to reappoint the accounting auditor for the 121st business term.

The Audit & Supervisory Board confirms such items as appropriateness of accounting auditor, quality control, independence and professional competence of the audit team, appropriateness of the audit plan, and communication with Audit & Supervisory Board members. Prior to the reappointment resolution, the Audit & Supervisory Board conducts hearings on the accounting auditor with heads of business departments (Financial Accounting Department and Internal Audit Department) and exchanges opinions with the CFO at Audit & Supervisory Board meetings.

Mutual Cooperation among Internal Audits, Audit & Supervisory Board Members' Audits and Accounting Audits

The Company, in order to improve the effectiveness and efficiency of the so-called three-pillar audit system (internal audits, audit & supervisory board members' audits, and accounting audits), has been making efforts to enhance the mutual cooperation among the parties concerned by such means as arranging regular liaison meetings to report on audit plans and audit results as well as to conduct exchanges of opinions.

Remuneration, etc. to the Accounting Auditor

(Millions of yen)	
Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2020	186
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	412

Note : In the audit contract between the Company and its accounting auditor, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in "Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2020" above.

Reason for Audit and Supervisory Board to Have Agreed to Remuneration, etc. to the Accounting Auditor

The Audit and Supervisory Board of the Company reviewed the status of performance of duties and basis for the calculation of the estimated amount of remuneration in the previous fiscal year as well as the validity of both descriptions in the audit plan prepared by the accounting auditor during the fiscal year and the estimated amount of remuneration, using the "Practical Guidelines for Cooperation with accounting auditors" released by the Japan Corporate Auditors Association as a guide, and by way of necessary documents obtained from directors, internal relevant departments and the accounting auditor as well as interviews to obtain information from them, and determined that the fees, etc. of the accounting auditor were appropriate, in agreement with Article 399, Paragraphs 1 and 2 of the Companies Act.

Compliance and Risk Management

Compliance and Risk Management Structure

Compliance and risk management in the Shiseido Group is led by the Risk Management Department established at the Company's global headquarters. Furthermore, to ensure compliant and fair business activities and implementation of risk countermeasures across the Group, a Risk Management Officer (RMO) is assigned in each regional headquarters. Incidents in Japan and overseas regions are reported, in accordance with certain criteria, to the Risk Management Department through RMOs or the division responsible for the incident. The division, RMO, and the Risk Management Department set up a taskforce as needed and work together toward a speedy resolution. In addition, the Risk Management Department and RMOs conduct regular training and educational activities to raise employees' awareness and knowledge of compliance and risk management.

To oversee compliance and risk management of the Shiseido Group, a Global Risk Management & Compliance Committee chaired by the Group CEO has been established at the global headquarters. In addition, HQ/SJ Compliance Committee oversees compliance in the Japan region.

Significant matters and progress related to compliance and risk management, including major incidents, are reported/proposed to the Board of Directors through the Group CEO or the management team.

Risk Management Oversight by the Board of Directors

Risk management oversight on a Group-wide basis is one of the key responsibilities of the Board of Directors. The Board provides feedback on reports from the management on significant matters and progress related to compliance and risk management, as well as confirms background, risk tolerance, and risk limit for matters included in individual reports and proposals. This allows the management to appropriately identify risks and decide whether the risk should be taken, mitigated, or avoided. In addition to receiving individual reports/proposals from the management, the Board compiles risk-related information through collaboration with auditors and the Audit & Supervisory Board for effective risk management oversight.

Group-wide Risk Management

In fiscal year 2020, the Risk Management Department interviewed the Group CEO, executive officers, regional CEOs, and external directors for their perception of Group risks. Regional risk assessments and input from relevant functions, as well as insight from external experts, were also taken into consideration. As a result, the Risk Management Department identified material risks that may impact the realization of our WIN 2023 Key Strategies.*

The identified risks were evaluated with three axes: "the impact on business in case of risk manifestation," "likelihood and timing of risk manifestation," and "preparedness to the risk."

Furthermore, the above-mentioned committees and related meetings held discussions to prioritize the risks and consider the status of countermeasures.

In 2020, the environment in which the Group operates changed significantly due to the COVID-19 pandemic. Accordingly, we have classified the risks brought about by these changes into four categories of "Consumer-related Risks," "Social-related Risks," "Operation & Fundamental Risks," and "Other Risks," with the first two relating to the external environment and the third, to a robust business foundation essential for the realization of WIN 2023 Key Strategies. Furthermore, we have identified "risk owners" for each risk category to clarify responsibility for countermeasures. Also, a monitoring framework has been established within the Global Risk Management & Compliance Committee and the Board of Directors to regularly assess our progress in addressing these risks.

Based on our 2020 risk assessment findings, the most impactful risks (Threats and Opportunities) for fiscal year 2021 in relation to our WIN 2023 Key Strategies are: "Innovation Risks," "Changes in Consumer Values," "Business Structure Transformation," "Speed of Digital Shift," "Natural and Human-Made Disasters," and "ESC (Environment, Society and Culture) Unique to Shiseido."

*WIN 2023 Key Strategies

Improve Profitability	<ul style="list-style-type: none"> 1. Rebuild profit structure through fundamental reforms 2. Increase cost competitiveness and improve factory productivity 3. Accelerate growth in Asia, especially China
Focus on Skin Beauty	<ul style="list-style-type: none"> 4. Build a powerful portfolio centered on skin beauty brands 5. Accelerate innovation through external collaborations 6. Develop the inner beauty category
Rebuild Business Foundation	<ul style="list-style-type: none"> 7. Become a truly sustainability-focused company 8. Strengthen brands through innovate marketing and robust organization 9. Build a digitally driven business model and organization 10. Enhance talent and organization through diversity and upskilling

Business and Other Risks

Consumer-related Risks	Social-related Risks	Operation & Fundamental Risks	Other Risks
<ul style="list-style-type: none"> • Innovation Risks* • Changes in Consumer Values* • Speed of Digital Shift* 	<ul style="list-style-type: none"> • Natural and Human-Made Disasters* • Brand Image • Geopolitical Risks 	<ul style="list-style-type: none"> • Business Structure Transformation* • Information Security • Corporate Culture and Acquisition / Securing Outstanding Human Resources • Global Information Network • Supply Network • Compliance • Quality Assurance and Control • Organizational Management and Governance 	<ul style="list-style-type: none"> • Exchange Rate Fluctuations • Material Litigation
<ul style="list-style-type: none"> • ESC (Environment, Society, and Culture) Unique to Shiseido* 			

*Most impactful 2021 risks (as of March 25, 2021)

Whistleblowing System

The Company has established a whistleblowing system to discover acts which violate laws, the Articles of Incorporation, or other regulations within the Shiseido Group and to promptly correct such issues. In the Japan region, the Company has established an internal hotline managed by in-house counselors, an external hotline operated by a third party, and the

Compliance Committee Hotline through which employees are able to make direct reports to the Committee Chair. The Company has also created a whistleblowing hotline for reports related to corporate officers and promotes the use of these hotlines. For other regions, the Company has set up local/regional hotlines, in addition to a Shiseido Group Global Hotline at the global headquarters for direct reports from employees worldwide. These hotlines contribute to strong compliance/governance structure of the entire Group.

To secure effectiveness of the whistleblowing system, the Company has developed and promotes internal regulations to protect whistleblowers' personal information and confidentiality. These regulations also protect whistleblowers from retaliation such as dismissal from their position or workplace.

Internal Control Systems of the Company

1. System under Which Execution of Duties by Directors and Employees of the Company and All Group Companies Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which the Appropriateness of Business of the Whole Group Is Ensured

The Board of Directors shall determine important matters which will affect the Company and its subsidiaries and affiliates as a Group.

The representative directors of the Company shall regularly report the status of execution of business to the Board of Directors. External directors shall be elected to strengthen and maintain the Board of Directors' supervisory functions in regard to operational execution. The audit & supervisory board members audit legality and appropriateness of the directors' execution of business. Upon request of any audit & supervisory board member, directors and employees shall report the status of execution of business to the audit & supervisory board members.

The Company has defined THE SHISEIDO PHILOSOPHY, shared across the Group and built upon three elements: OUR MISSION, which determines our purpose, OUR DNA, which embodies our unique heritage of over 140 years, and OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Shiseido Group employee in their work. THE SHISEIDO PHILOSOPHY, together with the Shiseido Group Standards of Business Conduct and Ethics, which set out action standards for business conduct with the highest ethical principles, promote corporate activities that are both legitimate and fair. (*)

The Company shall establish a basic policy and rules in line with the Shiseido Group Standards of Business Conduct and Ethics, with which the whole Shiseido Group is required to comply. Every Group company and business site shall be fully aware of this policy and rules, along with THE SHISEIDO PHILOSOPHY and the Shiseido Group Standards of Business Conduct and Ethics, so that environments for the formulation of detailed internal regulations of the Company will be created at every Group company and business site.

The Committee that oversees compliance and risk management has been set up in the Company, and while coordinating with organizations that have been set up to fulfill the compliance and risk management functions in the respective regional headquarters located in the major regions across the globe, this committee shall be responsible for corporate quality improvement by enhancing legitimate and fair corporate activities of the Group, and risk management. The Committee shall propose and report important matters and the status of their progress to the Board of Directors through the Representative Director, President and CEO as necessary.

The Company deploys a person in charge of promoting legitimate and fair corporate activities of the Group and risk management at each Group company and business site, plans and promotes regular training and educational activities on corporate ethics, and responds to incidents and manages risks. The department in charge of risk management and the Committee that oversees compliance and risk management will share information regularly with the persons in charge deployed within each Group company and business site.

For the purpose of detection and remediation of types of conduct within the Group that are in violation of laws, the Articles of Incorporation, and internal regulations of the Shiseido Group, the Company shall set up, as a contact for whistle-blowing, a hotline in each Group company as well as a hotline where employees can directly report and consult with the officer in charge of risk management. In the Japan region, the Company shall establish one hotline as an in-house-counselor staffed internal point of contact, and one outside-counselor-staffed external point of contact.

In accordance with the internal regulations of the Company pertaining to internal auditing, internal auditing shall be conducted with respect to the whole Group to audit the appropriateness of business.

The results of audit shall be reported to directors and audit & supervisory board members.

*Basic Policy on Exclusion of Anti-Social Forces and Its Implementation Status

The Shiseido Group Standards of Business Conduct and Ethics declare that "we do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations." A coordination office is established in the department in charge of risk management for the purpose of intensively collecting information, while a manual on how to cope with such forces is maintained on the intranet, among other activities. The Company is

strengthening its collection of outside information and cooperation with outside organizations by such means as coordinating with local police offices and having membership in an organization that promotes the exclusion of anti-social forces.

2. System under Which Directors of the Company and All Group Companies Shall Be Ensured to Efficiently Execute Duties

The Company adopted An executive officer system to realize smooth and highly efficient corporate management, wherein functions of directors, who are responsible for decision-making and overseeing execution of business, are separated from those of executive officers, who are responsible for business execution.

A representative director shall coordinate and supervise the Group's overall execution of business operations that are directed towards achieving given corporate targets. executive officers shall fix specified targets in the assigned fields, including all Group companies, and set up a business system by which the targets shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the relevant meeting for decision-making on business execution, consisting of executive officers, shall deliberate the business execution from various viewpoints.

The Board of Directors and the relevant meeting for decision-making on business execution shall confirm the status of progress versus the target and implement necessary improvement measures.

3. System under Which Information Regarding Execution of Business by the Company's Directors Shall Be Maintained and Managed; System under Which Items Regarding Execution of Business by Directors and Employees of All Group Companies Shall be Reported to the Company

Important documents such as minutes of the Board of Directors meetings and of relevant meetings for decision-making on business execution shall be managed pursuant to laws and regulations, and these important documents shall be presented to directors and audit & supervisory board members immediately whenever requested for inspection.

In addition, for information with respect to execution of business by directors and employees, internal regulations of the Company regarding protection of information assets and information disclosure shall be formulated, and the information shall be managed in accordance with them.

Important information regarding the execution of duties by directors and employees of all Group companies shall be reported in a timely manner to the Company by all Group companies in accordance with the internal regulations of the Company that stipulate matters such as reporting to the Company.

4. Regulations Regarding Control of Risk for Loss at the Company and All Group Companies and Other Regulation Systems

Organizations for the purpose of fulfilling the compliance and risk management functions are set up in the respective regional headquarters located in the major regions across the globe, which will be responsible for overseeing risks related to corporate activities through Group-wide cross-sectional communication.

The Committee that oversees compliance and risk management recognizes and evaluates risks associated with management strategy and business execution, and takes necessary measures, or assists the regional headquarters located in the major regions across the globe to prepare their own contingency responses to deal with emergency situations.

In the case of emergency, countermeasure headquarters shall be set up by the regional headquarters of the region where the emergency occurred, the Company, or both, pursuant to the situation, the seriousness of the impact on the Group and other factors, and that headquarters shall take the countermeasures.

5. System Related to Employees to Assist Duties of Audit & Supervisory Board Members When Audit & Supervisory Board Members Request to Do So; and Matters Related to the Independence of Such Employees from Directors; Matters Related to Securing the Effectiveness of Instructions from Audit & Supervisory Board Members to Such Employees

The Audit & Supervisory Board Staff Group shall be established, and employees shall be positioned there to assist the Audit & Supervisory Board and audit & supervisory board members.

In order to ensure the independence of the employees in the Audit & Supervisory Board Staff Group from directors and the effectiveness of instructions from audit & supervisory board members to them, the audit & supervisory board members' consent shall be necessary for determination of personnel matters such as appointments, movements and evaluations of these employees.

6. System under Which Directors and Employees Report to Audit & Supervisory Board Members and Other Systems under Which Any Report Is Made to Audit & Supervisory Board Members; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit & Supervisory Board Members

Directors and employees shall report the status of their execution of duties to audit & supervisory board members by enabling them to attend meetings of the Board of Directors and other important meetings, and they shall also report results of audit performed by the department in charge of internal auditing to audit & supervisory board members. In addition, the status of business and conditions of assets shall be reported to audit & supervisory board members upon their request.

Separately, the Company shall establish a method through which directors and employees, including those of all Group companies, can directly inform audit & supervisory board members of issues, and shall make this method known throughout the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said directors and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to audit & supervisory board members or informing them of issues, and shall make these regulations known.

7. Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties

Expenses deemed necessary for the execution of duties by the Audit & Supervisory Board and audit & supervisory board members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be handled by repaying them afterwards.

8. Other Systems under Which Audit by Audit & Supervisory Board Members Is Ensured to Be Performed Efficiently

Opinion exchange meetings shall be held regularly between representative directors and audit & supervisory board members. The Company shall ensure a system under which corporate audits are implemented efficiently. Liaison meeting shall be held among audit & supervisory board members, the accounting auditor and the internal auditing department upon request of audit & supervisory board members. In addition, audit & supervisory board members shall be ensured to attend various meetings.

(As of February 7, 2020)

Principles of the Corporate Governance Code (CG Code) and Shiseido's Response

Section 1

Securing the Rights and Equal Treatment of Shareholder	
General Principle 1	Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively. In addition, companies should secure effective equal treatment of shareholders. Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

- See below

Principle 1.1	Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.
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- See below

Supplementary Principle 1.1.1	When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.
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- For proposals with an approval rate below a certain level established by the Company, we engage in a dialogue with the opposing shareholder(s), whereupon we consider our response going forward.

Supplementary Principle 1.1.2	When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.
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- When delegating certain resolutions of the general shareholder meeting to the Board of Directors of the Company, the Board carefully considers whether it will not limit shareholder rights and ensures transparency to shareholders before the delegation. We pay particular attention that such delegation does not prevent the Company from fulfilling its responsibilities to the shareholders. For instance, the Company delegates resolutions on the acquisition of treasury stock and interim dividends to the Board in order to flexibly and proactively realize shareholder returns.

- Dividends of retained earnings are determined yearly through a proposal to the general shareholder meeting and its approval.

Supplementary Principle 1.1.3	Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.
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- The Company sets up a system for appropriate response to requests or proposals from or exercise of rights for minority shareholders, such as posting a "Form for Exercise of Minority Shareholder Rights, Etc." (Japanese only) on its website.

Principle 1.2	Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.
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- See below

Supplementary Principle 1.2.1	Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings.
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- The Company publishes not only statutory disclosure items, but also other items deemed necessary by the Company, including those exemplified by other global companies or those requested at investor meetings. Such items are included in our notice of convocation or published on our corporate website.

Supplementary Principle 1.2.2	While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet or on the company's website.
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- The Company sends its notices of convocation approximately three weeks before the date of its annual general shareholder meeting. In addition, considering the time lag between the Board's approval of convening the meeting and sending the notice, we first disclose the information included in the notice on the day following the Board's meeting by electronic means such as TDnet and our corporate website.

Supplementary Principle 1.2.3	The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.
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- Shiseido's fiscal year ends in December, and the general shareholder meeting is convened in March. To avoid scheduling conflicts with other companies that hold meetings in March, Shiseido convenes its meeting earlier than the most popular shareholder meeting date.

Supplementary Principle 1.2.4	Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting. In particular, companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.
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- Recently, Japanese institutional investors and foreign institutional investors account for approximately 40% each of Shiseido's total shareholders.
- In consideration of the above, the Company uses the Electronic Voting Platform and provides English translations of various disclosed documents, such as notices of convocation or materials for financial results announcements, in addition to their Japanese originals.

Supplementary Principle 1.2.5	In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank (<i>shintaku ginko</i>) and/or custodial institutions to consider such possibility.
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- In case the so-called actual shareholders request attendance at the general shareholder meeting, the Company confirms the fact of shareholding and prepares for their direct exercise of voting rights.

Principle 1.3	Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.
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- Shiseido has established the "Fundamental Approach to Capital Policy" and discloses it in the notice of convocation and other relevant documents:

Principle 1.4	When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed. Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.
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- See below

Supplementary Principle 1.4.1	When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.
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- Shiseido has established "The Company's Policy with Regard to Reduction of Strategic Shareholdings" and discloses it in the notice of convocation and other relevant documents.

- The Policy stipulates that "if the Company receives a request for sale from a company that holds the Company's shares as strategic shareholdings, the Company should neither prevent the sale nor imply that it would reduce transactions with the holding company."

Supplementary Principle 1.4.2	Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.
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- Shiseido has established "The Company's Policy with Regard to Reduction of Strategic Shareholdings" and discloses it in the notice of convocation and other relevant documents.

- The Policy stipulates that "the Company periodically checks its individual shareholdings to see whether or not such shares are being held for the intended purpose and whether or not benefits associated with their ownership are commensurate with the associated cost of capital. The Board of Directors then verifies the appropriateness of maintaining ownership of such holdings and discloses circumstances attributable to any reduction of holdings." The said actions are performed annually.

Principle 1.5	Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and <i>kansayaku</i> should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.
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- See below

Supplementary Principle 1.5.1	In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.
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- In 2006, Shiseido introduced anti-takeover measures upon resolution by the general shareholder meeting, partly because the system and market regulations related to takeovers at the time were insufficient. Subsequently, after the expiration of the valid period at the conclusion of the 2008 Ordinary General Meeting of Shareholders, the Company judged that "rather than continuing the anti-takeover measures, a steady implementation of our three-year plan will enhance our competitiveness and sustainable growth potential in the global market, securing and improving our corporate value and, in turn, the common interests of shareholders." Consequently, the Company decided to discontinue the anti-takeover measures.

- In case of a tender offer, we will examine the content of the proposal, explain the position of our Board in accordance with the current Financial Instruments and Exchange Act, and respond appropriately.

Principle 1.6	With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and <i>kansayaku</i> should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.
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• Shiseido has established the "Fundamental Approach to Capital Policy" and discloses it in the notice of convocation and other relevant documents. It establishes target financial indices in accordance with which the Company executes its business.

Principle 1.7	When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.
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• The Company investigates and specifies related parties that carry the possibility of having an impact on the Company's financial position and operating results based on the "Accounting Standard for Related Party Disclosures" and the "Guidance on Accounting Standard for Related Party Disclosures," confirms the existence of transactions with the said related parties and the importance of the said transactions, and, if there are transactions to be disclosed, carries out disclosure accordingly.

• The existence of related parties, the existence of transactions with related parties, the contents of transactions and other such information, are reported to the Board of Directors in advance of disclosure, and a review is conducted based on the criteria for judgment of importance stipulated in the "Guidance on Accounting Standard for Related Party Disclosures."

Section 2

Appropriate Cooperation with Stakeholders Other Than Shareholders	
General Principle 2	Companies should fully recognize that their sustainable growth and the creation of mid-to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders. The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

• See below

Principle 2.1	Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.
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• In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, THE SHISEIDO PHILOSOPHY is our guiding light. For each and every member of the global Shiseido family, THE SHISEIDO PHILOSOPHY is at the heart of everything we do as we strive to be a global winner with our heritage.

• Shiseido's value creation process is presented in our Integrated Report:

Principle 2.2	Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.
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- The Company has defined THE SHISEIDO PHILOSOPHY, shared across the Group and built upon three elements: OUR MISSION, which determines our purpose, OUR DNA, which embodies our unique heritage of over 150 years, and OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Shiseido Group employee in their work. We ensure consistency of our daily operations with THE SHISEIDO PHILOSOPHY by incorporating OUR PRINCIPLES into business performance indicators of our executives and managers.

- The Company also determines the Shiseido Group Standards of Business Conduct and Ethics, which define the actions that must be taken and shared by each and every employee of the Shiseido Group.
The Standards are set not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group companies, but also the action standards for business conduct with the highest ethical principles.

- The Company establishes a basic policy and rules in line with the Shiseido Group Standards of Business Conduct and Ethics, with which the whole Shiseido Group is required to comply. Every Group company and business site shall be fully aware of this policy and rules, along with THE SHISEIDO PHILOSOPHY and the Shiseido Group Standards of Business Conduct and Ethics, so that environments for the formulation of detailed internal regulations of the Company will be created at every Group company and business site.

- We regularly conduct the Shiseido Group Engagement Survey, where we review the status of compliance with these standards of conduct and continuously implement activities for improvement.

Supplementary Principle 2.2.1	The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company's corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.
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- A committee that oversees compliance and risk management has been set up in the Company, and while coordinating with organizations that have been set up to fulfill the compliance and risk management functions in the respective regional headquarters located in the major regions across the globe, this committee is responsible for corporate quality improvement by enhancing legitimate and fair corporate activities of the Group, and risk management. The committee regularly reports important matters and the status of their progress to the Board of Directors.

- The Company deploys a person in charge of promoting legitimate and fair corporate activities of the Group and risk management at each Group company and business site, plans and promotes regular training and educational activities on corporate ethics, and responds to incidents and manages risks. The department in charge of risk management and the committee that oversees compliance and risk management share information regularly with the persons in charge deployed within each Group company and business site.

Principle 2.3	Companies should take appropriate measures to address sustainability issues, including social and environmental matters.
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- See below

Supplementary Principle 2.3.1	The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid-to long-term.
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- We have categorized material issues considering their impact on all our stakeholders as well as on the Company's businesses, established an order of priority, and selected 18 material issues. In addition, we revised our definition of social value from the perspectives of the environment, society, culture, and governance (ESCG).
- We believe that corporate activities should place importance not only on economic value but also on social value creation, and that contribution to a sustainable society is essential for corporate development. Based on this belief, we commit to a variety of activities for a virtuous cycle toward a better society.
- We are placing sustainability at the core of our management objectives for 2030, integrating our business and sustainability strategies. To achieve our 2030 goal of contributing to "a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty," we have established a new framework based on three pillars: For People, For Society, and For the Planet, which have been developed as a result of discussions at the Board of Directors.
- The details and positioning of each issue were reviewed through discussions by E executive officers and Audit & Supervisory Board members at the meetings of the Sustainability Committee, established in 2020, followed by appropriate actions.

Principle 2.4	Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.
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- See below

Supplementary Principle 2.4.1	Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status. In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.
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- At Shiseido, we recognize and respect differences among individuals regardless of their attributes or ways of thinking. This includes not only women and foreign nationals, but also midcareer hires and persons with disabilities, as we create a company whose strength stems from individual strengths of its people and maximizing these strengths. To that end, we aim to ensure the diversity of our core human resources. We will continue to support the active participation of employees with diverse backgrounds and further accelerate diversity and inclusion at the workplace.
- Regarding women, the ratio of female leaders already exceeds 60% at our regional offices overseas (China, Asia Pacific, the Americas, EMEA, and Travel Retail). By 2030, we aim to raise it to 50% in all six regions of our operation, including Japan.
- Regarding foreign nationals, we believe that new value creation is aided by bringing together human resources with diverse values, backgrounds, and experiences, as well as their promotion in friendly competition with each other. We are currently considering setting a target at a certain percentage of our global workforce for employees who work in locations other than their home countries or regions, and achieve this target by hiring foreign nationals in Japan as well as promoting global mobility.
- For midcareer hires, we are actively employing them in the Shiseido Group in Japan and do not set any specific targets. (Regarding our offices overseas, we do not see a necessity for such targets since changing jobs is common practice.)
- Regarding recruitment of foreign nationals and midcareer hires as core human resources, the Company does not set specific targets, since we do not see any considerable differences from employees with other backgrounds.
- We disclose the following regarding the status of diversity in the "Social Data" section of the Shiseido Group corporate website. As of January 2021, approximately 5% of managers at Shiseido Company, Limited were foreign nationals, and approximately 26%—midcareer hires.

- Ratio of Female Leaders (All Shiseido Group / By region)
- Diversity in Top Management
- Ratio of Employees with Disabilities
- Ratio of Employees by Age Group (All Shiseido Group / By region)
- Ratio of female managers in revenue-generating functions / Female ratio in STEM-related departments
- Number and ratio of non-Japanese hires in Shiseido Company, Limited in Japan

• We disclose our policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation, on the following website.

Principle 2.5	Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.
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- See below

Supplementary Principle 2.5.1	As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors and outside <i>kansayaku</i>). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.
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• For the purpose of detection and remediation of types of conduct within the Group that are in violation of laws, the Articles of Incorporation, and internal regulations of the Shiseido Group, the Company sets up, as a contact for whistle-blowing, a hotline in each Group company as well as a hotline where employees can directly report and consult with the officer in charge of risk management. In the Japan region, the Company has established one hotline as an in-house-counselor-staffed internal point of contact, and one outside-counselor-staffed external point of contact.

• The Company has established a method through which directors and employees, including those of all Group companies, can directly inform Audit & Supervisory Board members (including external Audit & Supervisory Board members) of issues, and has made this method known throughout the Group. The Company and all Group companies have developed internal regulations to ensure that the said directors and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to Audit & Supervisory Board members or informing them of issues, and have made these regulations known.

Principle 2.6	Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.
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• We strive to optimize pension asset management by implementing the following initiatives enabling us to perform the functions expected of an asset owner.

● The Asset Management Review Meeting composed of the CFO, the Human Resources Department VP, the Finance and Accounting Department VP, the Strategic Finance Department VP, and the fund director, meets regularly to decide on asset portfolio, investment policies, and investment products with opinions and advice from outside investment consulting firms.

● Based on the policies determined by the Asset Management Review Meeting, the executive director, who is in charge of asset management, reports the results to the Asset Management Review Meeting, the Pension Fund Representative Meeting, and the Board of Directors to monitor investment performance.

● Regarding managing director and executive director of the Pension Fund, we employ personnel with extensive experience in corporate pension operations at external financial institutions. Members of the Asset Management Review Meeting gain expertise through seminars held by outside consulting firms and other specialized institutions.

• In addition, in order to properly fulfill its stewardship responsibilities as a responsible institutional investor, in March 2020 our Pension Fund announced that it had endorsed the principles of Japan's Stewardship Code.

Section 3

Ensuring Appropriate Information Disclosure and Transparency	
General Principle 3	Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance. The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

- See below

Principle 3.1	In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance: i) Company objectives (e.g., business principles), business strategies and business plans; ii) Basic views and guidelines on corporate governance based on each of the principles of the Code; iii) Board policies and procedures in determining the remuneration of the senior management and directors; iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and <i>kansayaku</i> candidates; and v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).
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- See below

Supplementary Principle 3.1.1	These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boilerplate or lacking in detail.
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• The Company discloses the following information in detail, upon careful analysis of the internal and external environment at the time of disclosure: business principles, strategies, and plans, basic views on corporate governance based on the Code, information regarding the remuneration of directors, and information regarding the appointment/dismissal of the senior management. The information is disclosed each time upon the publication of the notice of convocation and presentation materials for the annual ordinary general meeting of shareholders, quarterly financial results materials, annual integrated and sustainability reports, etc.

Supplementary Principle 3.1.2	Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures. In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.
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• The Company provides the English translation for all of its disclosure materials: the notice of convocation and presentation materials for the annual ordinary general meeting of shareholders, video reports of the general meeting of shareholders, quarterly financial results materials (settlements of accounts), annual integrated and sustainability reports, etc. The contents of annual and quarterly securities reports, required for disclosure by the Financial Instruments and Exchange Law, are presented in the integrated report in a visual form.

Supplementary Principle 3.1.3	<p>Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.</p> <p>In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.</p>
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- The Company summarizes and discloses its initiatives on sustainability in the sustainability report, published annually on its corporate website.

- Based on our commitment to "PEOPLE FIRST," Shiseido actively invests in human resource development, believing that human resources are the most important asset and that "strong individuals create a strong Company." To create strong individuals, we focus on strategic talent management, performance management, and autonomous career development support, founded on a job grade system. In 2020, Shiseido formulated the TRUST 8 Competencies, which describe a Company-wide image of human resources, with the aim of effectively implementing global human resource management. The TRUST 8 Competencies serve as the basis of our globally standardized selection/evaluation and human resource development programs, allowing each employee with ranging expertise to grow in work areas where they can maximize their respective strengths. Shiseido encourages employees' self-driven efforts to grow and provides support for individualized autonomous career development.

- Regarding investments in human capital, in line with the strategy of "building a digitally driven business model and organization" under our medium-to-long-term strategy WIN 2023 and Beyond, the Company is focusing on accelerating digital marketing, unifying and standardizing core business systems across the Group, and upskilling employees in specialized digital areas. To that end, the Company has established a strategic partnership with Accenture, which has a track record of providing versatile support in the digital field. Also, in 2016, the Company launched SHISEIDO+ Digital Academy as part of its digital talent development program, providing all Shiseido Group employees worldwide with an opportunity to develop digital knowledge and skills. Through these efforts, the Company will further accelerate Group-wide digital transformation to "Be a Global Winner with Our Heritage." As an example of return on such investment, Shiseido's global EC sales ratio has been growing rapidly by high-20% year-on-year to 30% of total net sales in the second quarter of 2021.

- Regarding investments in intellectual properties, Shiseido is working to realize its corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD: in addition to its traditional strengths in dermatology, formulation development, neuroscience, and kansei science, the Company integrates new science technologies, such as digital and device development that cross geographic and industry boundaries, as well as creates unique Japanese innovations that help minimize environmental impact.

- In fiscal 2020, our R&D expenditure came to 27 billion yen (or 2.9% of net sales). In addition to basic research that generates medium-to-long-term "seeds," the Company is increasing investment in R&D in new domains such as beauty devices and inner beauty.

- We recognize that intellectual property is an important corporate asset and strive for its strict protection and appropriate management. We aim to maximize its value by linking it to our strategies at various levels—corporate, business, and technology—and effectively utilizing it. In addition to proprietary use, the Company also promotes the use of its intellectual properties in a variety of ways, such as licensing or utilization aimed at resolving social issues.

- The Company has commenced disclosure based on the TCFD recommendations from 2020. Our initiatives are disclosed in the following report.

Principle 3.2	External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.
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- See below

Supplementary Principle 3.2.1	<p>The <i>kansayaku</i> board should, at minimum, ensure the following:</p> <ul style="list-style-type: none"> i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.
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• Regarding the appointment and dismissal of the accounting auditor by the Company, Chief Financial Officer and heads of departments relevant to finance/accounting and audits conduct an evaluation, and then Audit & Supervisory Board members need to unanimously agree through deliberations based on the evaluation results at the Audit & Supervisory Board meeting.

• The Company's Policy on determination of dismissal or non-reappointment of the accounting auditor is as follows.

• In order to adopt the resolution for the reappointment of the accounting auditor, the Audit & Supervisory Board confirms items such as the adequacy of the accounting auditor, quality control, the independence and professional competency of the audit team, the appropriateness of audit plans and the status of communication with the Audit & Supervisory Board members and other personnel. In addition, prior to adopting the resolution for reappointment, the Audit & Supervisory Board has interviews with the heads of departments in charge of business execution (Finance Accounting Department and Internal Audit Department) about the accounting auditor and exchanges opinions with the Chief Financial Officer at the Audit & Supervisory Board.

Supplementary Principle 3.2.2	<p>The board and the <i>kansayaku</i> board should, at minimum, ensure the following:</p> <ul style="list-style-type: none"> i) Give adequate time to ensure high quality audits; ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO; iii) Ensure adequate coordination between external auditors and each of the <i>kansayaku</i> (including attendance at the <i>kansayaku</i> board meetings), the internal audit department and outside directors; and iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.
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• The representative directors and Audit & Supervisory Board members hold opinion exchange meetings as needed, and the external directors and Audit & Supervisory Board members also hold information sharing meetings as needed. In addition, the accounting auditor and Audit & Supervisory Board members hold opinion exchange meetings as needed, and also hold meetings on reporting accounting auditor's audit results on a quarterly basis. These quarterly meetings are also attended by the external directors twice a year, at the end of the first half and at the end of the fiscal year, to promote sharing of information.

• Full-time audit and supervisory board members receive reports monthly on the internal audits conducted by the Internal Audit Department, and receive audit result reports of each domain semi-annually from the Quality Management Department, the Information Security Department, the Risk Management Department, and the Audit Group of the Business Management Department of Shiseido Japan Co., Ltd.

• Three-party audit liaison meetings are held on a quarterly basis to enable Audit & Supervisory Board members, the accounting auditor, and the Internal Audit Department to share audit information. Furthermore, the full-time Audit & Supervisory Board members also attend important meetings held by executive divisions, such as Board of Directors and Executive Committee meetings, to check on the content of deliberations.

Section 4

Responsibilities of the Board	
General Principle 4	<p>Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid-to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:</p> <ul style="list-style-type: none"> (1) Setting the broad direction of corporate strategy; (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and (3) Carrying out effective oversight of directors and the management (including <i>shikkoyaku</i> and so-called <i>shikkoyakuin</i>) from an independent and objective standpoint. <p>Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization—i.e., Company with <i>Kansayaku</i> Board (where a part of these roles and responsibilities are performed by <i>kansayaku</i> and the <i>kansayaku</i> board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.</p>

• See below

Principle 4.1	The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.
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- In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, THE SHISEIDO PHILOSOPHY is our guiding light. For each and every member of the global Shiseido family, THE SHISEIDO PHILOSOPHY is at the heart of everything we do as we strive to be a global winner with our heritage.

- Based on THE SHISEIDO PHILOSOPHY and in response to unprecedented changes in external market conditions, Shiseido's Board of Directors has established a new medium-to-long term strategy, WIN 2023 and Beyond. We have initiated a fundamental transformation, positioning the skin beauty area as our core business, and aim to become the world's No. 1 company in this area by 2030. In the midst of a rapidly changing external environment, during the three-year period from 2021 to 2023 we will shift our focus from business growth via sales expansion to profitability and cash flow to solidify our foundation as a Skin Beauty Company.

Supplementary Principle 4.1.1	The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.
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- The Company has specified matters to be determined by resolution of the Board of Directors in the Regulation on the Board of Directors. Such matters consist of items relating to the general meeting of shareholders, personnel/organization, account settlement, stock/bonds, and stock acquisition rights, corporate property, etc., business management and others of the Shiseido Group, that are matters provided in the Companies Act and other laws and regulations, and any other important matters equivalent thereof.

- Meanwhile, in order to clarify the allocation of responsibility for the business management and accelerate decision-making by delegation of authority, the Company introduced the corporate officer system in 2001. As a result, authority for making decisions on matters relating to business executions other than those specified in the Regulation of the Board of Directors has been delegated to the extent appropriate so that President and CEO, who is the top executive of the Company, can make decisions after deliberations at the Executive Committee, Global Leadership Committee, and other meeting bodies.

- After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance," the Company made revisions of matters that needed to be deliberated and decided at the meetings of the Board of Directors.

- In January 2021, under the new medium-to-long-term strategy "WIN 2023 and Beyond," the Company introduced the executive officer system, in which the officers take responsibility for the Group-wide business execution with the aim of accelerating the structural transformation and reform across the Company and further improving profitability.

- Furthermore, aiming to enhance diversity in management, the Company has decided to abolish the corporate officer system and completely shift to a management system centering on executive officers effective from January 2022. The system will allow us to appoint a diverse range of talent both internally and externally across the globe beyond the boundaries of gender, nationality, age, and other attributes, assigning positions more appropriately than ever before.

Supplementary Principle 4.1.2	Recognizing that a mid-term business plan (<i>chuuki keiei keikaku</i>) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.
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- Shiseido formulated its previous medium-to-long-term strategy, VISION 2020, with a determination to "Be a Global Winner with Our Heritage." In order to achieve this, we set the three years from 2015 to 2017 as a period to "Rebuild the Business Foundation," and the three years from 2018 to 2020 as a period of "New Strategy to Accelerate Growth." The strategy and its progress are reviewed at our corporate website:

Supplementary Principle 4.1.3	Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.
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- The Company considers that the selection of succession candidates for the President and CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee. The President and CEO and the Nomination & Remuneration Advisory Committee formulate the succession plan based on the Company's business environment upon sufficient discussions regarding the qualities required of a President and CEO from a medium-to-long-term perspective and policies for the selection of a successor and his or her training, etc. The progress of the formulated succession plan is regularly reported to the Nomination & Remuneration Advisory Committee, which monitors its status of implementation. Regarding selection of specific candidates for the President and CEO, the Nomination & Remuneration Advisory Committee receives full reports from the President and CEO on the specific nomination for successor from various perspectives. The Nomination and Remuneration Advisory Committee members themselves meet and exchange opinions with candidates, evaluating them from an independent perspective as well as the Company's management issues. Since the Nomination & Remuneration Advisory Committee performs certain important functions of the Board of Directors, the Board respects the committee's judgement. Furthermore, when actually selecting the President and CEO's successor, the Nomination & Remuneration Advisory Committee deliberates fully on matters such as the final candidate and their selection process, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection.

Principle 4.2	The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented. Also, the remuneration of the management should include incentives such that it reflects mid-to long-term business results and potential risks, as well as promotes healthy entrepreneurship.
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- See below

Supplementary Principle 4.2.1	The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid-to long-term results and the balance of cash and stock should be set appropriately.
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- The Company regards the remuneration policy for directors, Audit & Supervisory Board members, and executive officers as an important matter for corporate governance. For this reason, in accordance with the basic philosophy, the remuneration policy of the Company is deliberated in the Nomination & Remuneration Advisory Committee chaired by an external director for objectivity, and the outcome is reported to the Board of Directors for the resolution.

- The remuneration of the directors and executive officers of the Company comprises basic remuneration as fixed remuneration as well as an annual bonus and long-term incentive-type remuneration (non-monetary remuneration) as performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration. External directors and Audit & Supervisory Board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Furthermore, the Company does not have an officers' retirement benefit plan.

- The remuneration is designed so that the higher the rank as executive officer, the higher the proportion of performance-linked remuneration. (The Company has abolished the corporate officer system and completely shifted to a management system centering on executive officers effective January 1, 2022.)

Supplementary Principle 4.2.2	The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the mid-to long-term. In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.
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- The Company has developed a basic policy on sustainability, formulated based on discussions of its Board of Directors, and discloses it in its Sustainability Report:

- The Company develops medium-to-long-term strategies in periods of three years based on discussions by its Board of Directors. This includes business portfolio revision, allocation of management resources, and development of sales strategies based on the analysis of recent global market trends and consumer purchasing behavior, etc. The Board also oversees the implementation progress of these strategies.

- These strategies undergo appropriate revisions depending on the status of monthly sales and other indicators as well as quarterly financial results. The content of the revisions is overseen by the Board of Directors of the Company.

Principle 4.3	The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management. In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems. Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.
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- See below

Supplementary Principle 4.3.1	The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company's business results.
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- The nomination of candidates for directors and the appointment of executive officers are decided by the resolution of the Board of Directors upon receipt of a report on the validity of the candidates from the Nomination and Remuneration Advisory Committee, chaired by an external director.

- In case of the nomination of the President and CEO, the Nomination and Remuneration Advisory Committee conducts more careful deliberations in addition to the above procedures. Candidates for the President and CEO are selected from a wide range of possible nominees, both inside and outside the Company, with the perspective of their ability to realize our corporate philosophy and strategy. From this selection stage, they are deliberated by the Nomination and Remuneration Advisory Committee, chaired by an external director. In the event that a qualified person is appointed through the above process but unavoidable circumstances arise in which he or she is unable to fulfill his or her duties and responsibilities, the said President and CEO will be dismissed by a resolution of the Board of Directors after careful consideration by the Nomination and Remuneration Advisory Committee. Whether the President and CEO is fulfilling his or her duties and responsibilities is confirmed at the CEO Review Meeting and reviewed and confirmed at a meeting of the Nomination and Remuneration Advisory Committee convened based on the review.

Supplementary Principle 4.3.2	Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.
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- The Company considers that the selection of succession candidates for the President and CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee.

The President and CEO and the Nomination & Remuneration Advisory Committee formulate the succession plan based on the Company's business environment upon sufficient discussions regarding the qualities required of a President and CEO from a medium-to-long-term perspective and policies for the selection of a successor and his or her training, etc. The progress of the formulated succession plan is regularly reported to the Nomination & Remuneration Advisory Committee, which monitors its status of implementation.

Regarding selection of specific candidates for the President and CEO, the Nomination & Remuneration Advisory Committee receives full reports from the President and CEO on the specific nomination for successor from various perspectives. The Nomination and Remuneration Advisory Committee members themselves meet and exchange opinions with candidates, evaluating the candidates from an independent perspective as well as the Company's management issues. Since the Nomination & Remuneration Advisory Committee performs certain important functions of the Board of Directors, the Board respects the committee's judgement. Furthermore, when actually selecting the President and CEO's successor, the Nomination & Remuneration Advisory Committee deliberates fully on matters such as the final candidate and their selection process, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection.

Supplementary Principle 4.3.3	The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.
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- In the event that a qualified person is appointed through the above process but unavoidable circumstances arise in which he or she is unable to fulfill his or her duties and responsibilities, the said President and CEO will be dismissed by a resolution of the Board of Directors after careful consideration by the Nomination and Remuneration Advisory Committee.
- Whether the President and CEO is fulfilling his or her duties and responsibilities is confirmed at the CEO Review Meeting and reviewed and confirmed at a meeting of the Nomination and Remuneration Advisory Committee convened based on the review.

Supplementary Principles 4.3.4	The establishment of effective internal control and proactive enterprise risk management systems has the potential to support sound risk-taking. The board should appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the internal audit department.
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- A committee that oversees compliance and risk management has been set up in the Company, and while coordinating with organizations that have been set up to fulfill the compliance and risk management functions in the respective regional headquarters located in the major regions across the globe, this committee is responsible for corporate quality improvement by enhancing legitimate and fair corporate activities of the Group, and risk management. The committee proposes and reports important matters and the status of their progress to the Board of Directors through the Representative Director, President and CEO as necessary.
- The Company deploys a person in charge of promoting legitimate and fair corporate activities of the Group and risk management at each Group company and business site, plans and promotes regular training and educational activities on corporate ethics, and responds to incidents and manages risks. The department in charge of risk management and the committee that oversees compliance and risk management share information regularly with the persons in charge deployed within each Group company and business site.
- Internal audits conducted by the Internal Audit Department also include the Company's risk management system and its operational status, with the status regularly reported to the Board of Directors.

Principle 4.4	<i>Kansayaku</i> and the <i>kansayaku</i> board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of <i>kansayaku</i> and external auditors, and the determination of auditor remuneration. Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of <i>kansayaku</i> and the <i>kansayaku</i> board, in order to fully perform their duties, it would not be appropriate for <i>kansayaku</i> and the <i>kansayaku</i> board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.
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- See below

Supplementary Principle 4.4.1	Given that not less than half of the <i>kansayaku</i> board must be composed of outside <i>kansayaku</i> and that at least one full-time <i>kansayaku</i> must be appointed in accordance with the Companies Act, the <i>kansayaku</i> board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, <i>kansayaku</i> or the <i>kansayaku</i> board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.
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- The Audit & Supervisory Board Members' Basic Policy stipulates that, as an independent body entrusted by shareholders, the Audit & Supervisory Board is responsible for establishing a high-quality corporate governance system that meets the trust of various stakeholders in order to ensure the soundness and sustainable growth of the Company and the Group. The Audit & Supervisory Board members audit the legality and appropriateness of the execution of duties by directors.

- Audit & Supervisory Board members actively express their opinions by attending meetings of the Board of Directors. Full-time Audit & Supervisory Board members also attend key meetings and committees, such as Executive Committee and HQ/SJ Compliance Committee. External Audit & Supervisory Board members draw on their wealth of experience and knowledge in respective fields to provide necessary advice, recommendations, and opinions from an independent perspective. In addition, all Audit & Supervisory Board members hold regular meetings with the representative directors twice a year to exchange opinions on important management issues the Company is facing and to share issues based on annual audit activities, which are linked to activities aimed at resolving overall management issues, including corporate governance.

- Full-time Audit & Supervisory Board members meet individually with directors, department VPs, office managers, and other managers to exchange opinions on the current status of daily operations and issues therein. In addition to opinion exchange meetings which are held upon necessity between the representative directors and Audit & Supervisory Board members, information is also shared between external directors and Audit & Supervisory Board members. Furthermore, the Internal Audit Department receives monthly reports on the progress and results of internal audits.

Principle 4.5	With due attention to their fiduciary responsibilities to shareholders, the directors, <i>kansayaku</i> and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.
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- Shiseido Group Standards of Business Conduct and Ethics define the actions that must be taken and shared by each and every employee of the Shiseido Group. The Standards are set not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group companies, but also the action standards for business conduct with the highest ethical principles.

Principle 4.6	In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.
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- Based on the Shiseido Group's matrix-type organizational system with brand categories and six regions combined, the Company as the global headquarters is responsible for supervising the overall Group and providing necessary support, while many of the responsibilities and authorities are delegated to the respective regional headquarters of Japan, China, Asia Pacific, the Americas, EMEA, and Travel Retail.

- We held repeated discussions with regard to an ideal corporate governance system under this matrix organization, including the composition and operation of the Board of Directors. As a result, the Board of Directors concluded that adopting the monitoring board-type system would be appropriate to ensure sufficient and effective supervisory functions over the Shiseido Group overall. Therefore, we resolved on the monitoring board-type corporate governance framework while leveraging the advantages of a company with an audit & supervisory board system.

Principle 4.7	Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities: i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid-to long-term; ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management; iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.
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- In cases when the Board of Directors resolves management policies, such as medium-to-long-term strategies, or makes decisions on other important matters, external directors utilize their respective experience and knowledge to present opinions, ask questions and provide advice from an independent standpoint. The Board accords the utmost respect to these opinions upon making decisions.

Principle 4.8	Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid-to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.
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- The Company sets the number of its external directors at three or above to allow such members a certain degree of influence within the Board. In addition, the Company has established a target of electing half or more of its directors from outside.

- In selecting external directors and Audit & Supervisory Board members, high priority is given to independence. Our basic principle is that candidates are required to meet the Company's "Criteria for Independence of External Directors and Audit & Supervisory Board Members" as well as possess highly independent thinking.

Supplementary Principle 4.8.1	In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.
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- The CEO Review Meeting has been established as a deliberation body comprised of all external directors and all external Audit & Supervisory Board members. The body's mission is to deliberate performance evaluation for President and CEO, as well as to hold discussions and share views solely between independent external members on topics that require objectivity and transparency. In addition, external directors also voluntarily attend accounting auditor's audit results report meetings and exchange opinions with Audit & Supervisory Board members to share company information.

Supplementary Principle 4.8.2	Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with <i>kansayaku</i> or the <i>kansayaku</i> board by, for example, appointing the lead independent director from among themselves.
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- The Nomination and Remuneration Advisory Committee, which plays an important role in corporate governance, is chaired by an external director. The Committee discusses the selections of candidates for directors and Audit & Supervisory Board members, promotion and demotion of corporate officers and executive officers, the system of executive compensation and its content based on executive performance evaluations. These discussions are led by the Chair, who is an external director. The Chair also serves as the lead external director who cooperates and coordinates with the management team, collaborates with the Audit & Supervisory Board members and the Audit & Supervisory Board, and facilitates cooperation by providing opportunities for informal discussions and other means.

Supplementary Principle 4.8.3	Companies that have a controlling shareholder should either appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.
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- The Company does not have a controlling shareholder.

Principle 4.9	Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.
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- The Company establishes its own rules of "Criteria for Independence of the External Directors and Audit & Supervisory Board Members" with reference to foreign laws and regulations and listing rules, etc. for the purpose of making objective assessment on the independence of the external directors and Audit & Supervisory Board members.

- In connection with selecting candidates for the External Directors and Audit & Supervisory Board Members, the Company places emphasis on a high degree of independence of the candidate from the viewpoint of strengthening corporate governance and accordingly, the Company makes judgment on whether or not the candidate has a high degree of independence in accordance with the Criteria.

Principle 4.10	In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.
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- See below

Supplementary Principle 4.10.1	If the organizational structure of a company is either Company with <i>Kansayaku</i> Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions. In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.
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• The Company has established the Nomination and Remuneration Advisory Committee, which is chaired by an external director and consists of a majority of external directors, to deliberate and report to the Board of Directors on the nomination and remuneration of directors and executive officers. The Nomination and Remuneration Advisory Committee deliberates on the nomination, performance evaluation, and remuneration system of directors and executive officers, presents its opinions to the Board of Directors, formulates and monitors the CEO succession plan, deliberates on the nomination and remuneration of the CEO, and presents its opinions to the Board of Directors (the CEO does not participate in deliberations on the CEO). The Board of Directors shall, in principle, respect the opinions of the Nomination and Remuneration Advisory Committee, which consists of a majority of external directors and focuses on independence and objectivity in deliberations and consensus building with respect to the nomination and remuneration of executives and the CEO.

Principle 4.11	The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender, international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as <i>kansayaku</i> . In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as <i>kansayaku</i> . The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.
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- See below

Supplementary Principle 4.11.1	The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a "skills matrix." When doing so, independent director(s) with management experience in other companies should be included.
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• Shiseido requires its directors and Audit & Supervisory Board members to supervise business execution and conduct decision-making on critical matters; therefore, we encourage various viewpoints and backgrounds in addition to diverse and sophisticated skills. When selecting candidates, we place importance on ensuring diversity, taking into account not only gender equality, but also other attributes such as age, nationality, personality, as well as insights and experiences in various fields related to management.

- The Company discloses the skills and expertise required of its directors and Audit & Supervisory Board members in the form of a matrix:

• The Company has set a certain maximum term of office for external directors and Audit & Supervisory Board members in order to reflect their independent views to our management, and by allowing a handover period from long-serving external directors and Audit & Supervisory Board members to newly appointed ones to ensure appropriate transition. Moreover, we ensure fruitful discussions at the meetings of the Board of Directors as executive officers in charge of relevant domains join the meetings depending on the agenda and provide necessary explanations.

Supplementary Principle 4.11.2	Outside directors, outside <i>kansayaku</i> , and other directors and <i>kansayaku</i> should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and <i>kansayaku</i> also serve as directors, <i>kansayaku</i> or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.
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• The Company has set forth criteria for "important concurrent positions" assumed by its external directors and Audit & Supervisory Board members and describes the status of such concurrent positions in the Business Report accompanying the Notice of Convocation of the Ordinary General Meeting of Shareholders based thereon. Candidates are selected upon confirmation that their multiple concurrent positions, if any, will not impede their execution of duties, such as at the Board of Directors of the Company.

Supplementary Principle 4.11.3	Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.
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• The Company evaluates the effectiveness of its Board of Directors on a regular basis to identify issues and required improvements. Questionnaires and interviews for all directors and Audit & Supervisory Board members are conducted every year to evaluate and analyze the activities of the Board of Directors, the Nomination & Remuneration Advisory Committee, and the Audit & Supervisory Board, as well as the support system by the secretariat. The results are collected and analyzed by the secretariat of the Board of Directors.

Principle 4.12	The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.
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• See below

Supplementary Principle 4.12.1	<p>The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active:</p> <ul style="list-style-type: none"> i) Materials for board meetings are distributed sufficiently in advance of the meeting date; ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding); iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance; iv) The number of agenda items and the frequency of board meetings are set appropriately; and v) Sufficient time for deliberations.
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• Materials for the Board of Directors' meetings are in principle distributed in advance. On the day of the meeting, the department in charge of proposal provides detailed explanations of the materials, followed by a Q&A session to ensure that sufficient information necessary for deliberation is provided.

• The representative directors contact the directors and Audit & Supervisory Board members of the Company by email or other means whenever necessary for follow-up information after resolutions and reports are made at Board meetings, and for important and emergency information.

• The next year's schedule for Board meetings is decided in advance upon coordination with directors, Audit & Supervisory Board members, and related internal divisions. The plan for the next year's deliberations is reported at the year-end Board meeting.

• After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance," the Company made revisions of matters that needed to be deliberated and decided at the meetings of the Board of Directors as well as the number of meetings to be held annually. Through these efforts, the Company strives to ensure sufficient time for deliberation on important agendas such as medium-to-long-term strategies and sustainability-focused management.

Principle 4.13	In order to fulfill their roles and responsibilities, directors and <i>kansayaku</i> should proactively collect information, and as necessary, request the company to provide them with additional information. Also, companies should establish a support structure for directors and <i>kansayaku</i> , including providing sufficient staff. The board and the <i>kansayaku</i> board should verify whether information requested by directors and <i>kansayaku</i> is provided smoothly.
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• See below

Supplementary Principle 4.13.1	Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, <i>kansayaku</i> , including outside <i>kansayaku</i> , should collect information appropriately, including the use of their statutory investigation power.
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- In principle, a dedicated system is used to share materials for Board of Directors' meetings with external directors in advance, and a system has been established to enable timely exchange of questions and items to be confirmed via email, etc.
- Regarding Audit & Supervisory Board members, in addition to the attendance of Board meetings, which are compulsory statutory meetings, they are provided with opportunities to attend important meetings related to business execution, such as Executive Committee, as well as Global Risk Management & Compliance Committee and HQ/SJ Compliance Committee as observers. The Audit & Supervisory Board members report and provide information to the Audit & Supervisory Board through these meetings. Moreover, when requested by the Audit & Supervisory Board members, materials and information on these meetings are provided.
- A separate and direct email route to the Audit & Supervisory Board, which allows the Audit & Supervisory Board members to directly receive reports on events that may damage the trust of the Shiseido Group, has been established as part of the internal whistle-blowing hotline system. Information on the email route is provided to employees in Japan through training for new hires and training on harassment for all employees.

Supplementary Principle 4.13.2	Directors and <i>kansayaku</i> should consider consulting with external specialists at company expense, where they deem it necessary.
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- The Nomination and Remuneration Advisory Committee, which is composed only of external directors and the President and CEO, invites experts from outside the Company to provide advice on the design of executive compensation and other matters. In addition, we have been inviting external experts to exchange opinions and information with directors and Audit & Supervisory Board members and will continue to do so as necessary in the future.

Supplementary Principle 4.13.3	Companies should ensure coordination between the internal audit department, directors and <i>kansayaku</i> by establishing a system in which the internal audit department appropriately reports directly to the board and the <i>kansayaku</i> board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside <i>kansayaku</i> . One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside <i>kansayaku</i> are appropriately processed.
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- In accordance with the Internal Audit Department Operations Manual (including the Internal Audit Regulations), our Internal Audit Department verifies the establishment and operation of internal controls for the entire Group from the perspectives of the effectiveness and efficiency of operations, reliability of financial reporting, compliance with related laws and regulations, both external and internal, and the preservation of the Company's assets. It also evaluates the adequacy and effectiveness of risk management and provides advice and recommendations for improvement.
- The results of internal audits are reported to the President and CEO, the Chief Financial Officer, and full-time Audit & Supervisory Board members on a monthly basis, and to the Board of Directors on an annual basis.

Principle 4.14	New and incumbent directors and <i>kansayaku</i> should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and <i>kansayaku</i> along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.
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- See below

Supplementary Principle 4.14.1	Directors and <i>kansayaku</i> , including outside directors and outside <i>kansayaku</i> , should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.
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- The Company provides candidates for new directors and new Audit & Supervisory Board members with training regarding legal and statutory authorities and obligations, etc. In addition, when a new external director or external Audit & Supervisory Board member is scheduled to come on board, the Company provides training regarding the industry it operates in, its history, business overview, strategy, etc.

- Furthermore, to promote understanding of the Company among external directors and external Audit & Supervisory Board members, they are provided with such opportunities as attending internal meetings and lectures by external experts on annual business strategies and business management issues.

Supplementary Principle 4.14.2	Companies should disclose their training policy for directors and <i>kansayaku</i> .
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- The Company believes that in addition to appointing personnel having credentials required to serve as directors, Audit & Supervisory Board members, or executive officers, it is important to provide them with necessary training and information.

- The Company provides candidates for new directors and new Audit & Supervisory Board members with training regarding legal and statutory authorities and obligations, etc. In addition, when a new external director or external Audit & Supervisory Board member is scheduled to come on board, the Company provides training regarding the industry it operates in, its history, business overview, strategy, etc.

Section 5

Dialogue with Shareholders	
General Principle 5	In order to contribute to sustainable growth and the increase of corporate value over the mid-to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting. During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

- See below

Principle 5.1	Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid-to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.
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- The Company fully recognizes that timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market. We make constant efforts to improve our internal systems and maintain investors' point of view to ensure prompt, accurate, and fair disclosure of corporate information to all investors at the same time. Through these efforts, we aim to provide timely and appropriate corporate information to investors and have published a policy on information disclosure.

Supplementary Principle 5.1.1	Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management, directors, including outside directors, and <i>kansayaku</i> , should have a basic position to engage in dialogue (management meetings) with shareholders.
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- The CEO and CFO of the Company actively engage in dialogue with shareholders and express their thoughts as senior management on the Company's initiatives.

- External directors are also provided with opportunities to express their independent opinions on the governance of the Company, such as conferences hosted by securities companies, the integrated report, etc.

- The Company's Audit & Supervisory Board members have no track record of engagement in shareholder dialogue, but we will consider such opportunities in the future based on the needs of our shareholders.

Supplementary Principle 5.1.2	At minimum, policies for promoting constructive dialogue with shareholders should include the following: i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below; ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue; iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities); iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and v) Measures to control insider information when engaging in dialogue.
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- The Company has established and disclosed the "Basic Policy on Information Disclosure and Dialogue with Shareholders and Investors", which establishes our basic policy on information disclosure, standards, method, and system for information disclosure, as well as outlines our initiatives for a constructive dialogue with shareholders and investors and management of insider information.

Supplementary Principle 5.1.3	Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.
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- Based on the shareholder register, which is updated every six months, the Company conducts a survey of institutional investors to identify the actual shareholders and uses it as a basis for shareholder dialogue.

Principle 5.2	When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.
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- See below

Supplementary Principle 5.2.1	In formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the board and the status of the review of such portfolio.
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- The Company develops medium-to-long-term strategies in periods of three years based on discussions by its Board of Directors. This includes development of the business portfolio and sales strategies based on the analysis of recent global market trends, consumer purchasing behavior, and other factors. These are disclosed in an easy-to-understand visual form.

- These strategies undergo appropriate revisions based on quarterly financial results. The contents of the revisions are disclosed in materials for quarterly results briefings and presented to a broad range of investors via our corporate website and other media.